

## CONSTRUCTION MATERIALS MARKET IN THE REPUBLIC OF MOLDOVA: DYNAMICS, DEMAND AND INVESTMENT PROSPECTS

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**Abstract.** *Given the rapid changes in the Republic of Moldova's construction sector, it is important to conduct exhaustive market environment research in order to support strategic management choices, particularly those relating to the establishment of new production facilities. In this study, the subject of analysis is the feasibility of opening a factory for the production of adhesives for thermal insulation systems. The theoretical significance of this analysis lies in identifying the relationship between price indexes in construction and the investment attractiveness of niche segments of the construction market. Therefore, this article's goal is to assess the rationale behind opening a thermal insulation adhesive factory by examining how the Republic of Moldova's building market has changed over the last five years. Official data for the years 2019–2023 from the National Bureau of Statistics of the Republic of Moldova is used as an empirical basis for this purpose. This data enables the identification of pricing trend dynamics and their possible influence on the anticipated business model.*

**Key words:** *strategic decision, construction materials, demand, organization, analyses.*

**J.E.L. classification:** M00, M1, M2

### 1. Introduction

The decision to open a factory in Moldova is a strategic one that requires comprehensive analysis. To ensure the project's success, it is necessary to consider the specific characteristics of the market environment, the dynamics of the construction sector, and general market trends. As Michael Porter notes, “a deep understanding of the industry structure and competitive forces is the basis for developing a sustainable strategy” (Porter, 2008). In addition to the above, I. Ansoff emphasizes that “strategic decisions should be based on a thorough comparison of external opportunities with the internal potential of the company” (Ansoff, 1987). In that regard, the market analysis lowers uncertainty, enables a well-informed planning approach, and supports management choices that support the long-term growth of new production.

Assessing the market environment is essential for making strategic decisions on the initiation of new production in the quickly changing construction sector of the Republic of Moldova. The National Bureau of Statistic (NBS) of the Republic of Moldova's building price index data for the years 2019–2023 were used in this research to determine if it would be feasible to open a plant for the manufacturing of thermal insulation adhesives (NBS, 2024).

Relevance and motivation for choosing the research topic are established by the need to make informed management decisions in a volatile market environment and the growing interest in localizing manufacturing in the Republic of Moldova. As the construction industry expands, new advancements in the field of high-quality building materials—particularly adhesives for thermal insulation—are required. Additionally, the purpose of the research is to evaluate the viability of establishing a factory to produce thermal insulation adhesives while accounting for the macroeconomic and market dynamics of the Republic of Moldova.

The construction price index data published by the National Bureau of Statistics of the Republic of Moldova for 2019–2023 (NBS, 2024) is one of the secondary data sources used in the study investigation. The use of this secondary data allows a retrospective analysis of the sector dynamics,

an objective assessment of price developments and provides a solid basis for estimating market opportunities.

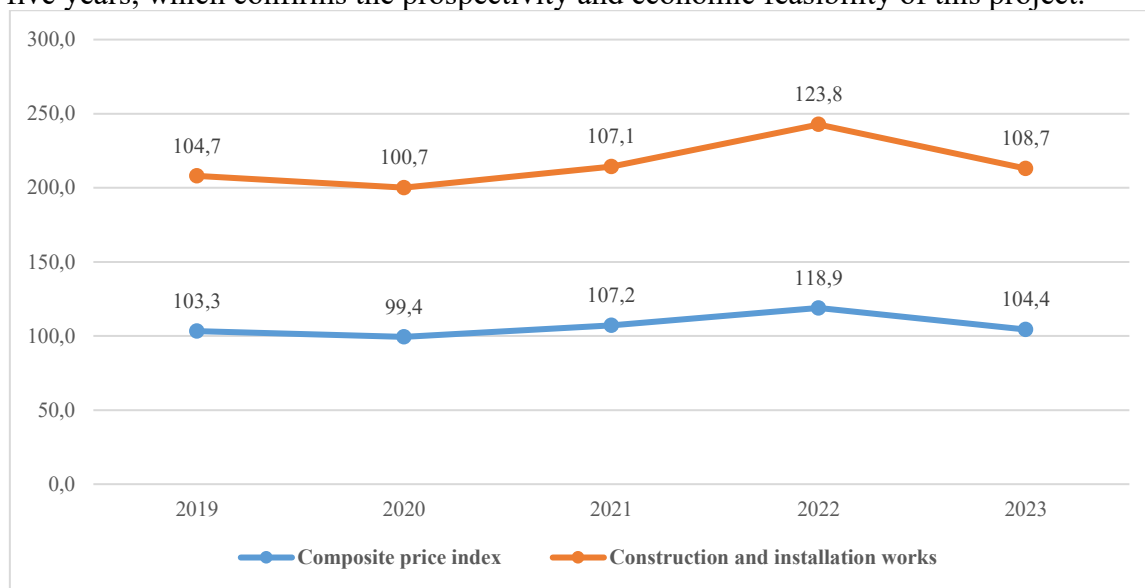
Furthermore, the analysis is sustained by the practical experience and knowledge of the author in the field of construction and business strategy, which contributes to an applied and relevant interpretation of the data in the specific context of the Moldovan market.

## 2. Basic content

According to official data, the composite price index for the construction industry has shown steady growth since 2019, rising from 103.3 in 2019 to 104.4 in 2023. More specifically, the price index for construction and installation work, which most accurately reflects activity in the consumption of construction materials, rose from 104.7 to 108.7 over the same period. Due to geopolitical and economic shifts that impacted the rise in the cost of raw materials, logistics, and construction services generally, the increase was especially apparent in 2022, when the index achieved a value of 123.8. Figure 1 illustrates this data.

Opening local adhesive production in Moldova reduces import costs, stabilises prices for consumers and increases profitability. In the context of rising prices and the transition to energy efficient construction, such production will ensure sustainable demand (Aftenev, 2023).

Thus, based on the analysis of price dynamics in construction, we can conclude that the opening of a factory in Republic of Moldova is a strategically step, and the market for materials construction maintains positive development dynamics. In further growth or stability of demand is expected in the next five years, which confirms the prospectivity and economic feasibility of this project.



**Figure 1. Price indices in construction by indicators and years**

*Source: Information taken from (NBS, 2024)*

The number of construction enterprises by type of ownership for the years 2019–2023 can be used to draw a number of important conclusions about the status and development trends of the construction industry in the Republic of Moldova (NBS, 2024). These results are reflected in Table 2. Nationally, the overall number of construction organizations grew from 1,624 in 2019 to 2,006 in 2023 over the five years. The increase is particularly notable in 2019–2022, when the number of organizations increased by over 380. Although there is a slight decrease from 2.011 to 2.006 in 2023, the total number of companies remains at a high level compared to previous years, indicating stability and sustained interest in the industry.

The private sector remains the most dynamic, accounting for the vast majority of all construction

organisations. The number of private construction companies increased from 1,560 in 2019 to 1,940 in 2023 (NBS, 2024), indicating the active development of SMEs in construction and renovation. This also indicates that the private sector is highly competitive, flexible and adaptable to market conditions. The number of public (state-owned) organisations remains consistently low, ranging from 6 to 14 enterprises, which underlines the dominance of private ownership in the industry and the gradual reduction of the role of the state as a direct developer.

The aforementioned information thus enables the author to come to the assumption that Moldova's construction sector is expanding and that private enterprises are active, which in turn fosters favorable conditions for the growth of domestic manufacturing of building supplies, such as glue for thermal insulation. The increase in the number of participants in market indirectly indicates the presence of demand and need for quality construction solutions, which confirms the feasibility of investments in this sector of the economy.

**Table 2. Construction organisations by form of ownership, 2019-2023.**

Category	2019	2020	2021	2022	2023
General	1,624	1,881	1,886	2,011	2,006
Public	8	6	14	12	12
Private	1,560	1,808	1,818	1,945	1,940
Mixed (public and private), without foreign participation	12	12	12	12	11

*Source: Information taken from the (NBS, 2024)*

Table 3 presents data from the Republic of Moldova's 2021–2023 construction works cost analysis by types and construction objects, which indicates a sustainable growth of the construction industry and a shift in priorities in the allocation of investments between major repairs and new construction. The total volume of construction works steadily increased from MDL 16.9 billion in 2021 to MDL 18.7 billion in 2023. The growth rate is about 11% over three years, which confirms the activity of the construction sector and its investment attractiveness. Particularly significant is the increase in the volume of non-residential construction from MDL 4.3 billion in 2021 to MDL 5.57 billion in 2023, an increase of 29% (NBS, 2024). This reflects the expansion of business infrastructure and increasing demand for construction and finishing materials, including glue for thermal insulation.

As for new construction, it remains at a stable high level of about MDL 9-9.5 billion annually, while there is a slight decrease in the costs of new residential construction from MDL 5.37 billion in 2021 to MDL 4.16 billion in 2023. This may indicate a saturation of the primary residential market or a redistribution of investments to other segments. The most striking positive dynamics is observed in the capital repairs of non-residential buildings, where expenditures increased from MDL 1.44 billion in 2021 to MDL 2.17 billion in 2023, an increase of more than 50% (NBS, 2024). This is particularly important from the point of view of local adhesive production, as thermal insulation adhesives are widely used precisely in the renovation and modernisation of buildings.

Thus, it can be concluded that the building materials market in Moldova remains in demand and promising, and the transition to an active phase of capital repairs of non-residential stock makes it particularly favourable for players such as Caparol. The opening of an insulation adhesive factory is a strategically sound move, as the product meets the growing market needs and energy efficiency policy.

**Table 3. Construction works, by elements of works design and objects**

	2021			2022			2023		
	Cost of construction works (thousand lei, current prices)			Cost of construction works (thousand lei, current prices)			Cost of construction (thousand lei, current prices)		
	General	Residential buildings	Non- residential buildings	General	Residential buildings	Non- residential buildings	General	Residential buildings	Non- residential buildings
General	16,914,133.4	5,593,464.0	4,308,210.4	17,780,265.7	4,748,688.2	4,872,831.0	18,738,496.1	4,487,446.5	5,571,221.0
New construction	9,542,287.9	5,374,141.4	1,852,319.3	9,680,539.0	4,434,756.6	1,978,923.1	9,021,416.0	4,163,163.6	2,036,973.7
Overhaul	3,698,067.6	70,544.9	1,440,185.3	3,844,209.5	142,130.9	1,768,457.1	4,817,429.1	149,386.4	2,173,135.9

Source: (NBS, 2024)

According to the data of the National Bureau of Statistics of Moldova, which are shown in Table 4, in the period from 2022 to 2024 there is a stable activity in the field of housing construction. Thus, the number of issued permits for construction of individual dwellings remains at a high level: 2217 in 2022, 2173 in 2023 and 2170 in 2024 (NBS, 2024). This indicates a stable interest in private construction, which entails a steady demand for construction and finishing materials, including insulation and adhesives.

Particularly noteworthy is the growth in building permits for apartment buildings: from 79 in 2023 to 106 in 2024, an increase of 34%. Given that apartment buildings almost always require comprehensive insulation of facades and walls, we can confidently state that this segment will provide additional demand for the company's products in the coming years.

**Table 4. Building permits issued for 2022-2024.**

			2022	2023	2024
The whole country	January-December	Residential buildings (apartment buildings)	83	79	106
		Individual houses	2,217	2,173	2,170
		Hotels and similar buildings	13	16	32
		Other buildings	864	920	681

Source: Information taken from the (NBS, 2024)

Thus, based on the statistical data from the Figure 2, the author can conclude that the market of construction materials in the Republic of Moldova remains active, and the demand for adhesives, especially in the field of thermal insulation, will continue and is likely to increase. This confirms the strategic validity of the launch of adhesive production in the country and indicates the existence of favourable conditions for further growth and development of the company.



**Figure 2. Issued building construction permits for 2022-2024.**

Source: Information taken from the (NBS, 2024)

Analysing the production dynamics of key types of construction materials allows us to better understand the changes in the construction industry of the Republic of Moldova and to assess the potential for development of companies operating in this segment. In order to assess the market conditions, let us consider the statistics for four product categories: varnishes and paints, dry gypsum mixtures, prefabricated concrete elements, and ready-mix concrete; we can review these data in Table 5.

Based on data from the National Bureau of Statistics, there was growth in most items between 2019 and 2021. For example, the production of varnishes and paints increased from 29,358 tonnes in 2019 to 31,867.6 tonnes in 2021 (NBS, 2024). However, a steady decline began from 2022, with only 18,521.1 tonnes produced in 2023, down 41.8% from the peak year of 2021. Similar circumstances may be seen in the dry gypsum mixtures category, where the volume decreased to 181.6 thousand tonnes (-19.2%) in 2023 after increasing to 224.7 thousand tonnes in 2022. The dynamics of the manufacturing of prefabricated concrete pieces are especially significant; they less than doubled, from 533.2 thousand tonnes in 2021 to 209 thousand tonnes in 2023 (-60%).

There was also a decline in the volume of ready-mix concrete, from a peak of 2,454.4 thousand tonnes in 2022 to 1,739.2 thousand tonnes in 2023, a decrease of 29.2%.

**Table 5. Production of main types of industrial products**

CATEGORIES	2019	2020	2021	2022	2023
Varnishes and paints, tonnes	29 358,0	31 152,2	31 867,6	18 975,3	18 521,1
Dry gypsum mixtures, thousand tonnes	194,3	217,2	210,7	224,7	181,6
Prefabricated elements for construction from cement, concrete or artificial stone, thousand tonnes	527,5	603,0	533,2	220,9	209,0
Non-fireproof concrete ready for pouring, thousand tonnes	2 061,5	1 894,2	2 168,2	2 454,4	1 739,2

*Source: Information taken from the (NBS, 2024)*

The conclusion from these data is clear: starting from 2022, the construction materials market in Moldova will experience a decline, which may be due to the completion of major construction projects, a decrease in financing to the construction industry or general economic instability. The decline in production reflects structural changes in the Moldovan construction market. This does not necessarily mean a crisis, but rather a transformation of demand, where the emphasis is shifting towards renovation, energy efficiency, import substitution and new forms of construction. The analysis shows that the share of major repairs has been increasing in recent years. This means that developers and private clients are increasingly opting for renovation and modernization rather than complete construction from scratch. For companies, this is a challenge, but also a chance to adapt by focusing on high-quality, niche and energy-efficient products such as insulation adhesives.

According to the National Centre for Sustainable Energy, in April 2024, the Government of the Republic of Moldova approved the Financing Programme of the Fund for Energy Efficiency in the Residential Sector for 2024-2027 (Government of the Republic of Moldova, 2024). With a budget of 1.4 billion lei, the EEF programme creates a sustainable solvent demand for facade insulation products, including specialised adhesives. A key feature of the programme is the mixed financing mechanism: up to 70% of the project cost is covered by grants from the EHIF, 30% is the residents' own contribution, at least 50% of the heated area to be repaired must belong to vulnerable households, including those in energy poverty.

This is especially true for apartment buildings, where a complex façade system is required and adhesive is its key component. The company's decision to start local production of adhesives in Moldova can be considered strategically justified, taking into account the growing demand caused by

the state energy efficiency policy. This allows the company to: reduce costs compared to importing adhesives, offer a more competitive price to contractors working within the framework of state programmes, gain an advantage as a local supplier able to respond quickly to demand, be integrated into the state agenda and qualify for participation in tenders or partnership projects for thermal modernisation of residential buildings.

Thus, the launch of adhesive production in Moldova strengthens the organisation's position on the building materials market and opens access to large-scale projects financed by the state and international partners.

### 3. Conclusions

Based on the analysis of statistical data of the National Bureau of Statistics of RM for the period 2019-2023, we can conclude that the production volumes of key construction materials decreased: paint and varnish materials by 42%, prefabricated concrete elements by 60%, dry mixes by 16%, concrete by 15%. In parallel, there was an increase in capital repairs of non-residential buildings (+50%). Despite the downturn in new construction, there is still a steady demand for products for renovation and energy efficient solutions. The launch adhesive manufacturing is a wise strategic move for the examined company, especially considering the increasing need for thermal insulation. By focusing on the expanding building restoration and energy efficiency market, the company may carve out a viable niche.

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