



# CONSTRUCTION OUTLOOK: what's next for the industry?

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# AGENDA

What are the prospects for the construction sector this year and beyond?

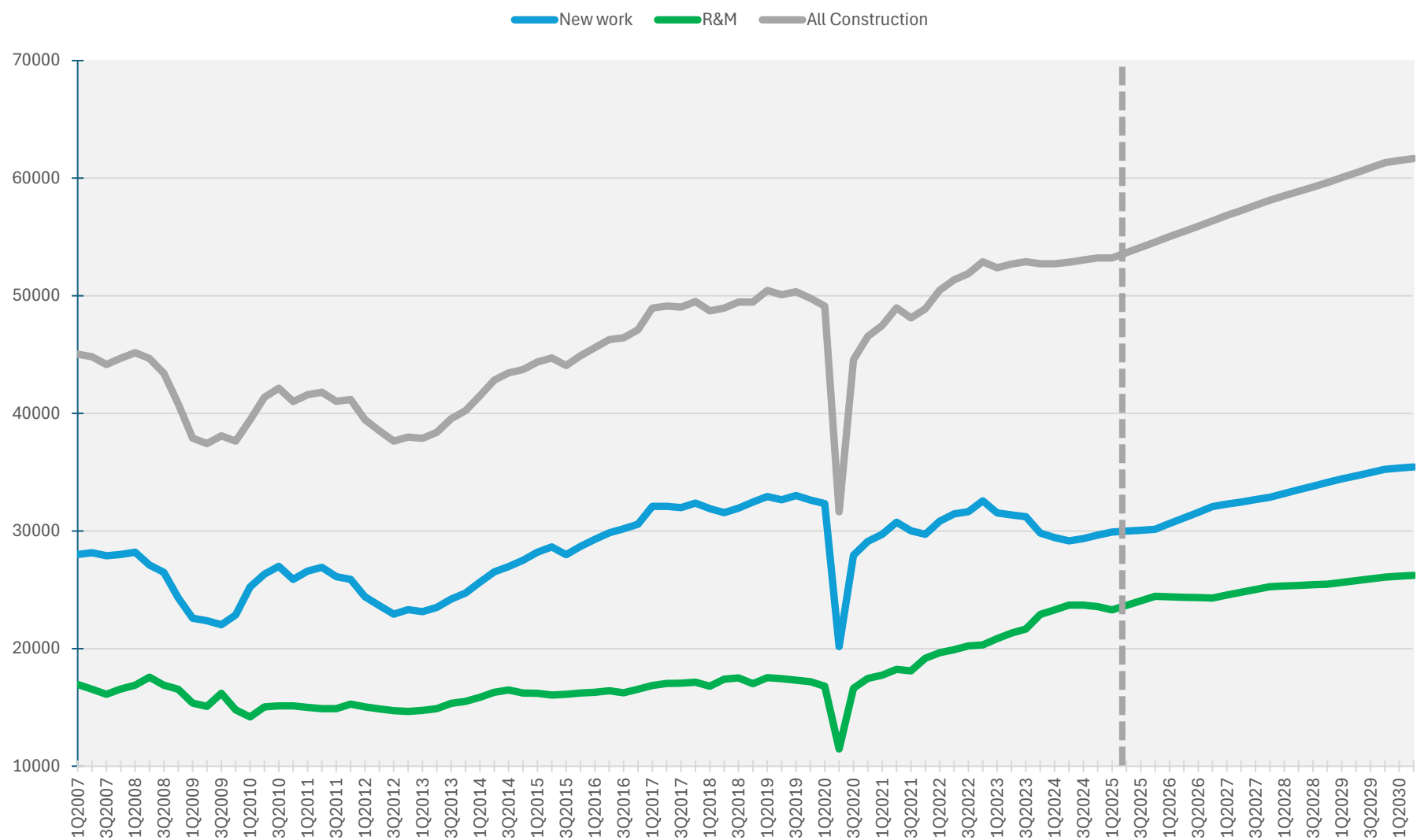
- ▶ Forecasts of future demand levels
- ▶ Cost & price movement in construction
- ▶ Industry views
- ▶ Conclusions
- ▶ Questions

# SETTING THE SCENE

- ▶ Spending Review
- ▶ Private sector investment?
- ▶ Domestic and international headwinds
- ▶ Labour capacity issues
- ▶ One step forward and two steps back

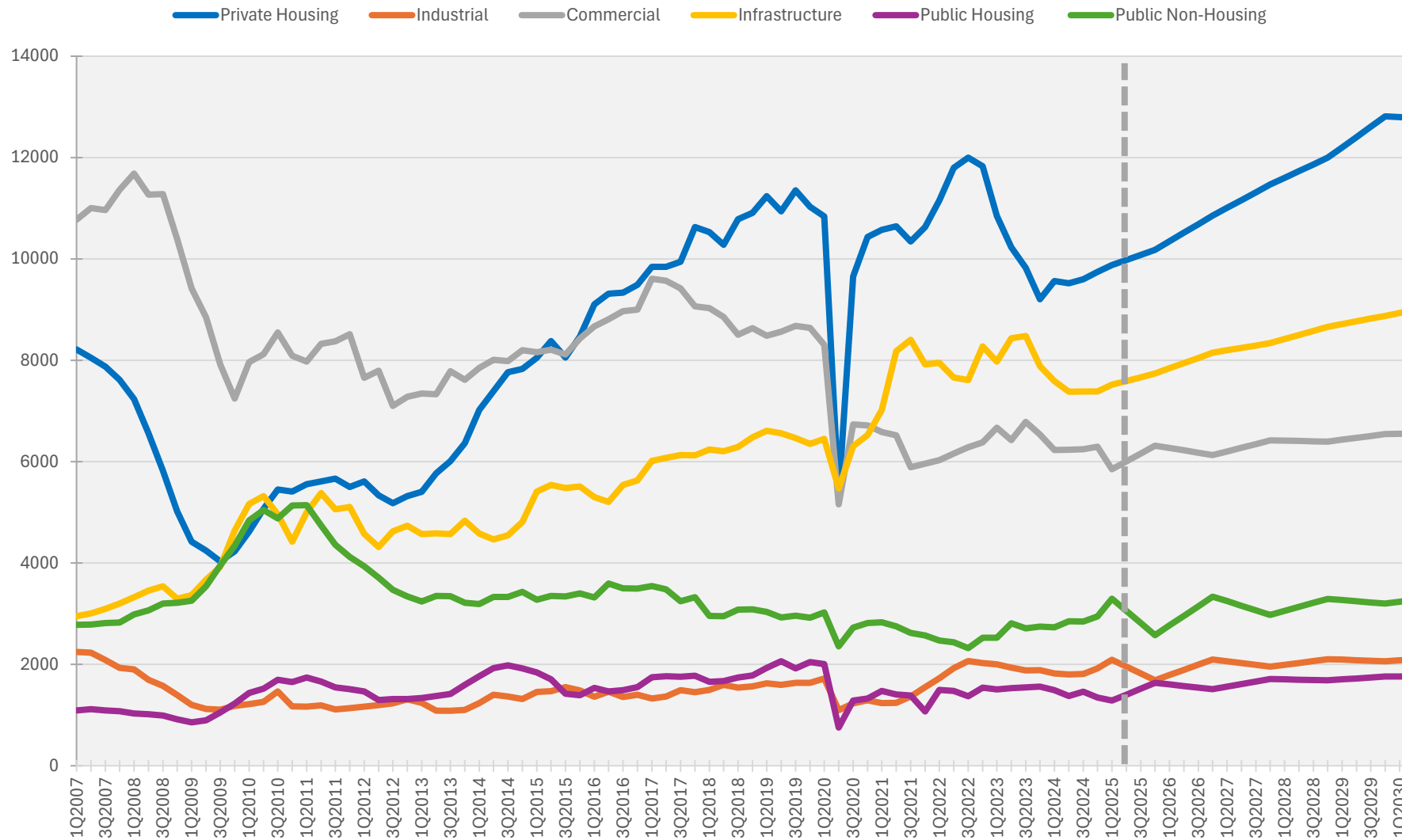
**Output & orders**

# CONSTRUCTION OUTPUT FORECAST (ONS/BCIS, 2025 £M)



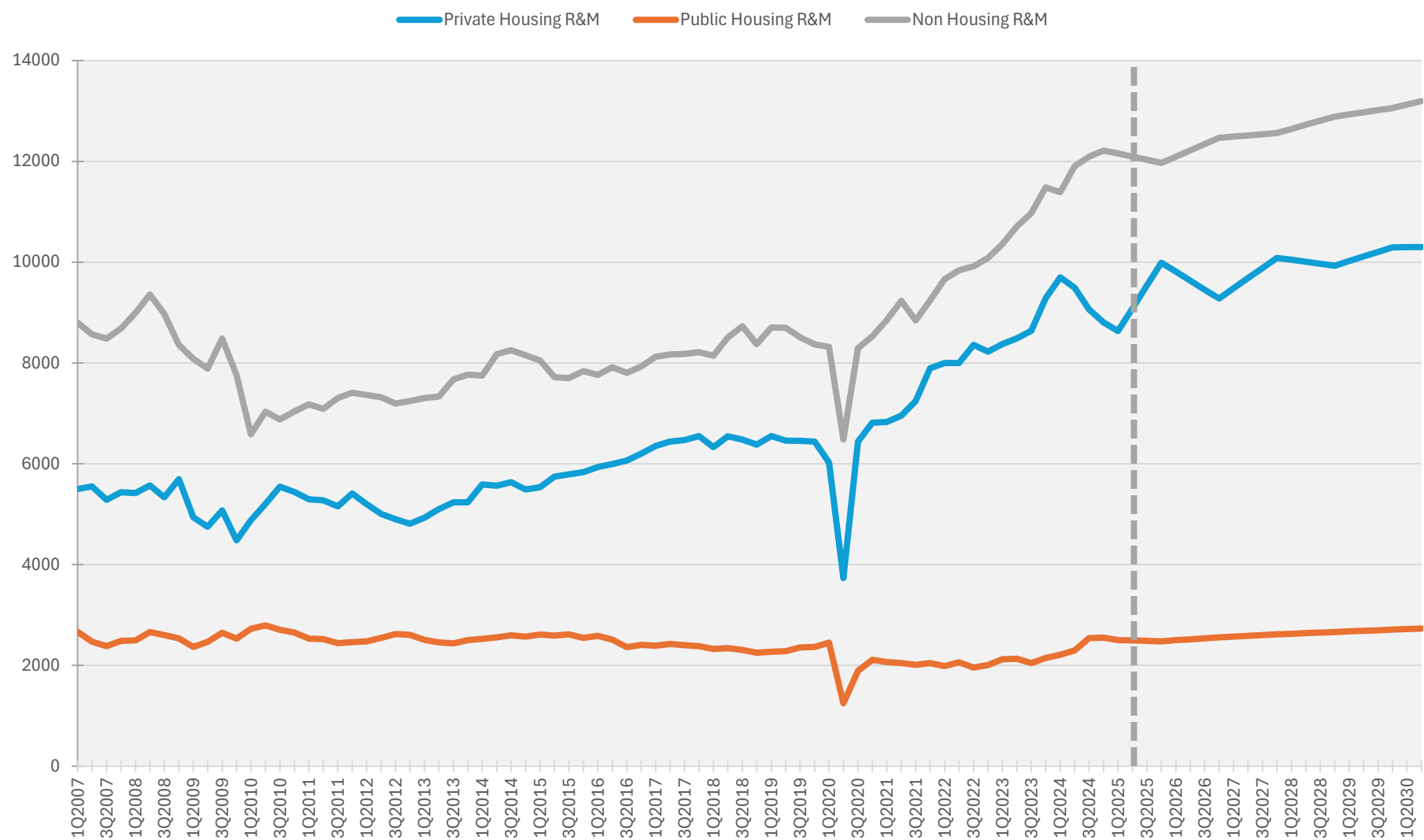
After a period of stagnation, total output is increasing - driven by growth in both new work and, to a lesser extent, repair and maintenance

# NEW WORK OUTPUT FORECAST BY SECTOR (ONS/BCIS, 2025 £M)



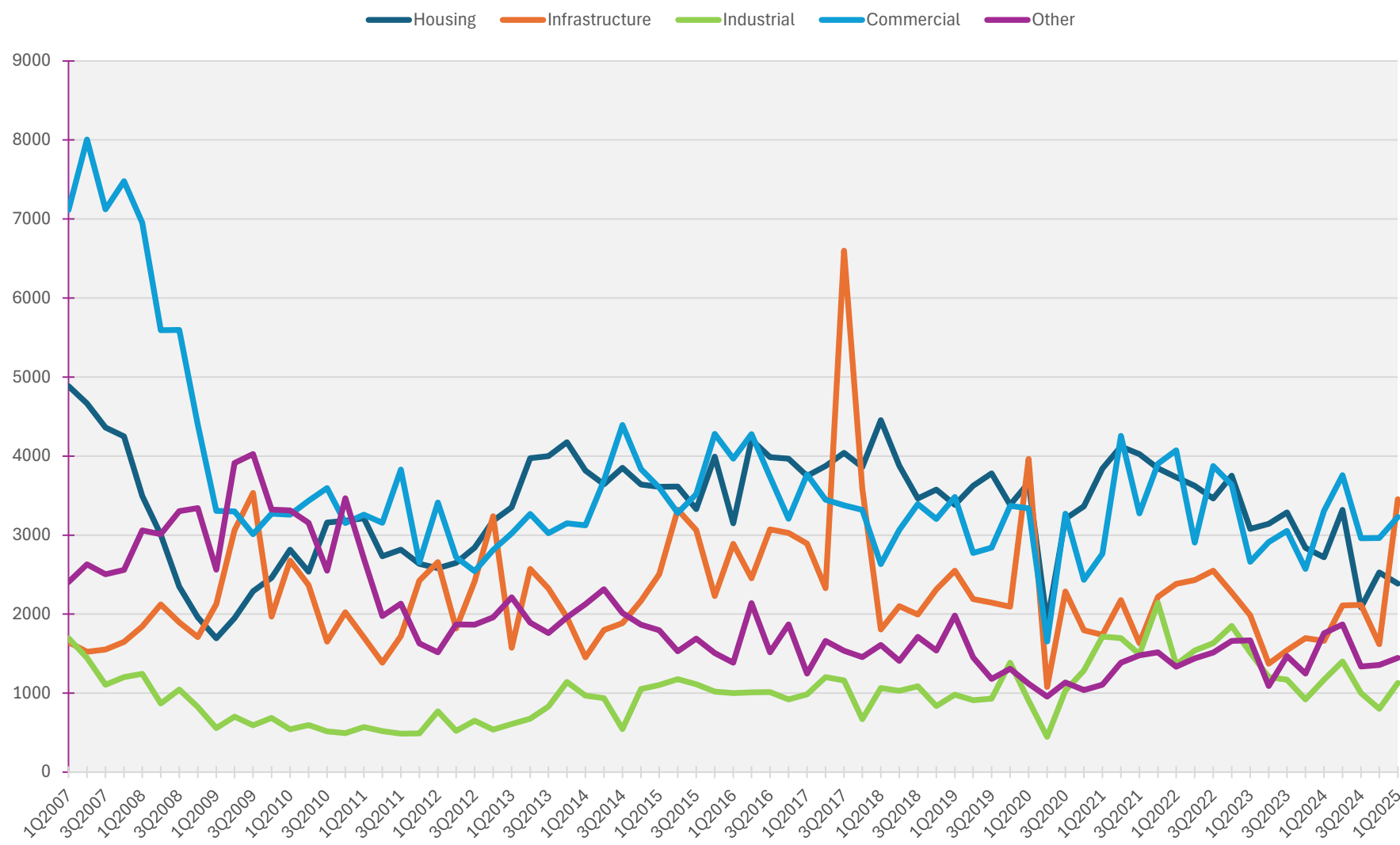
Private housing output recovering, with robust growth predicted through the forecast period. Outlook for infrastructure also positive

# R&M OUTPUT FORECAST BY SECTOR (ONS/BCIS, 2025 £M)



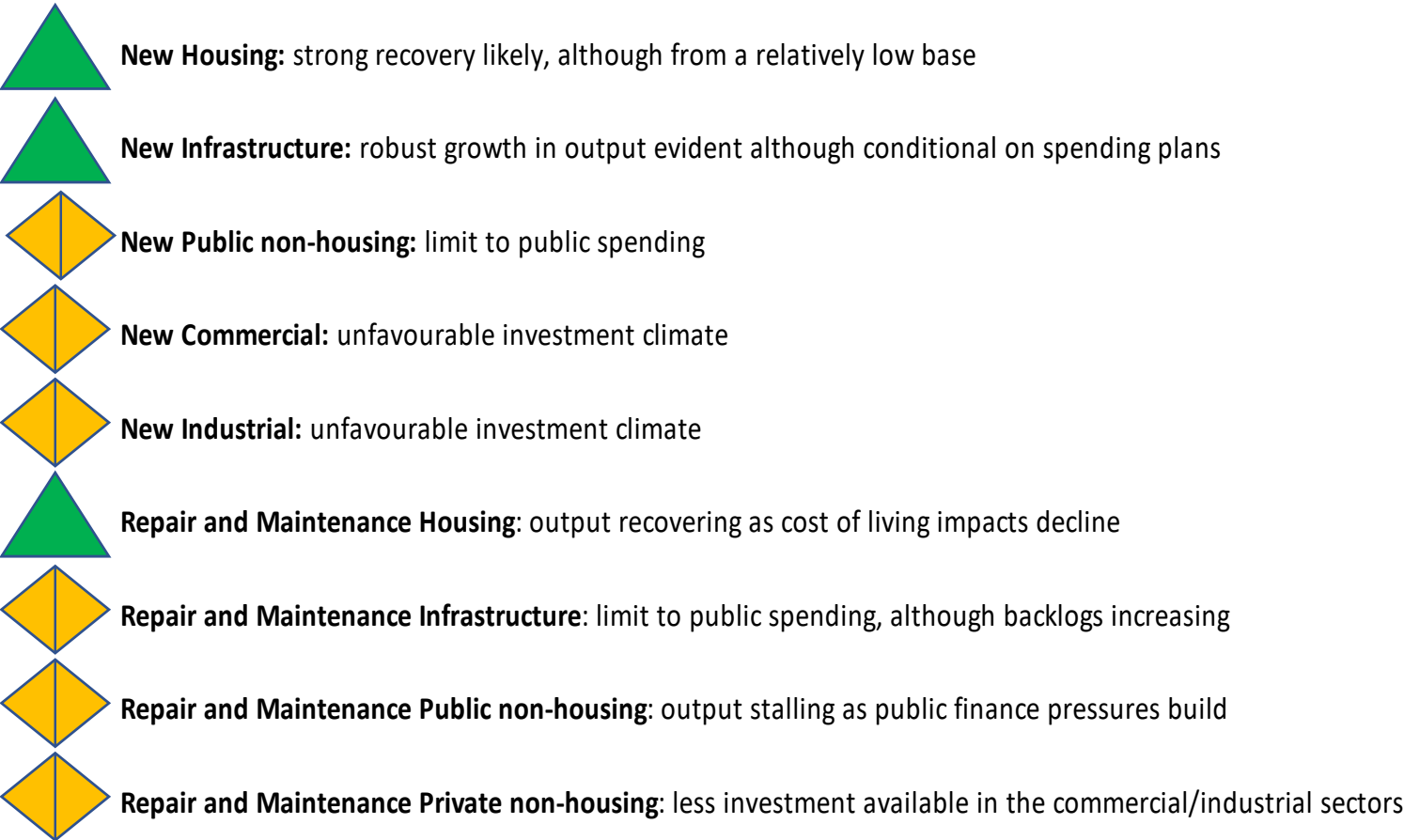
Repair and maintenance output has fallen recently but BCIS is forecasting some growth through 2025, particularly in private housing R&M

# CONSTRUCTION NEW ORDERS (ONS 2025: QUARTERLY VOLUME £M) **BCIS®**



Latest new orders data show increase across most sectors, suggesting future pipeline of work may be growing

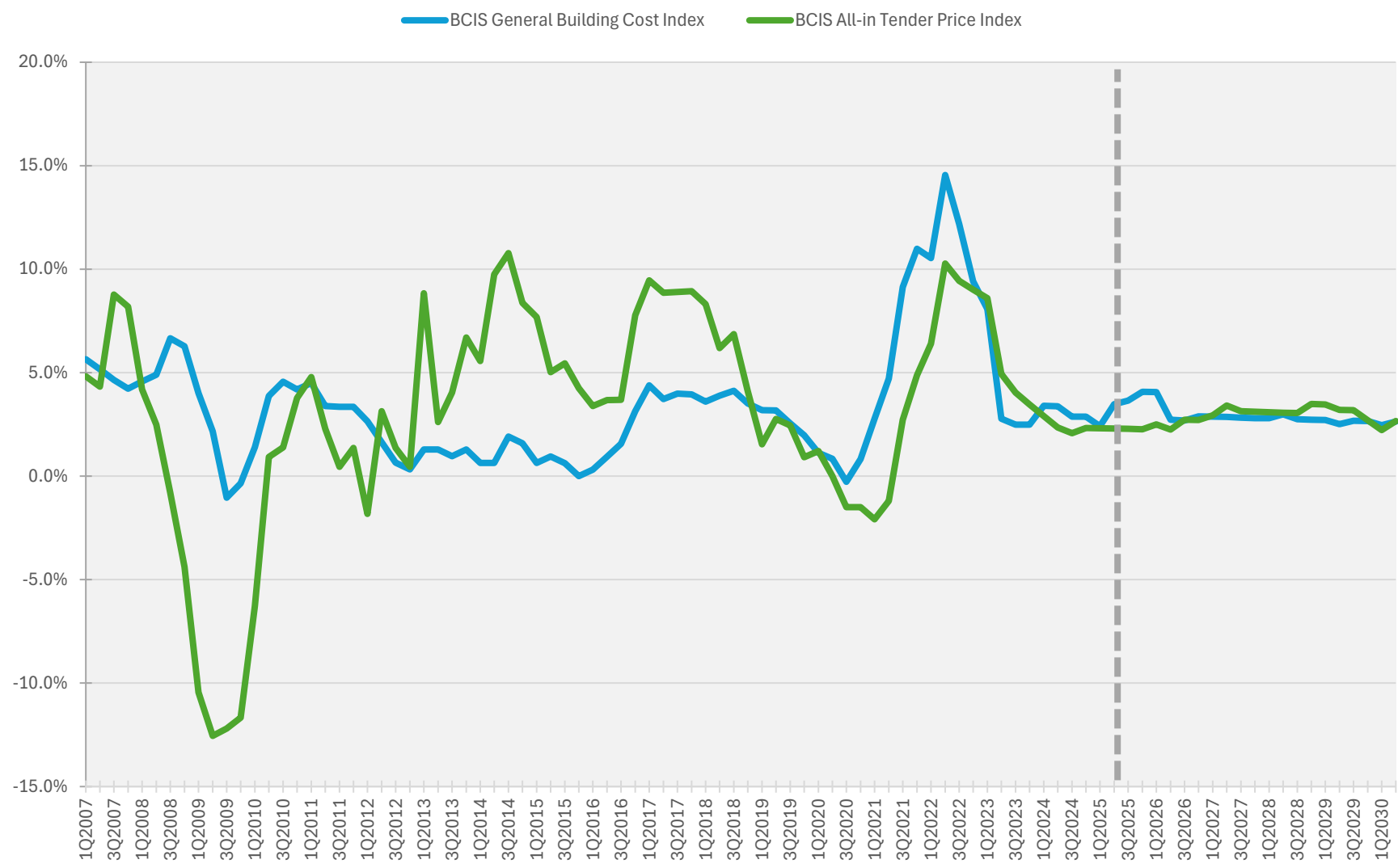
# SUMMARY OF GROWTH PREDICTIONS BY SECTOR



As last time, some positive signs in new housing, infrastructure and housing R&M. Most other sectors remain subdued

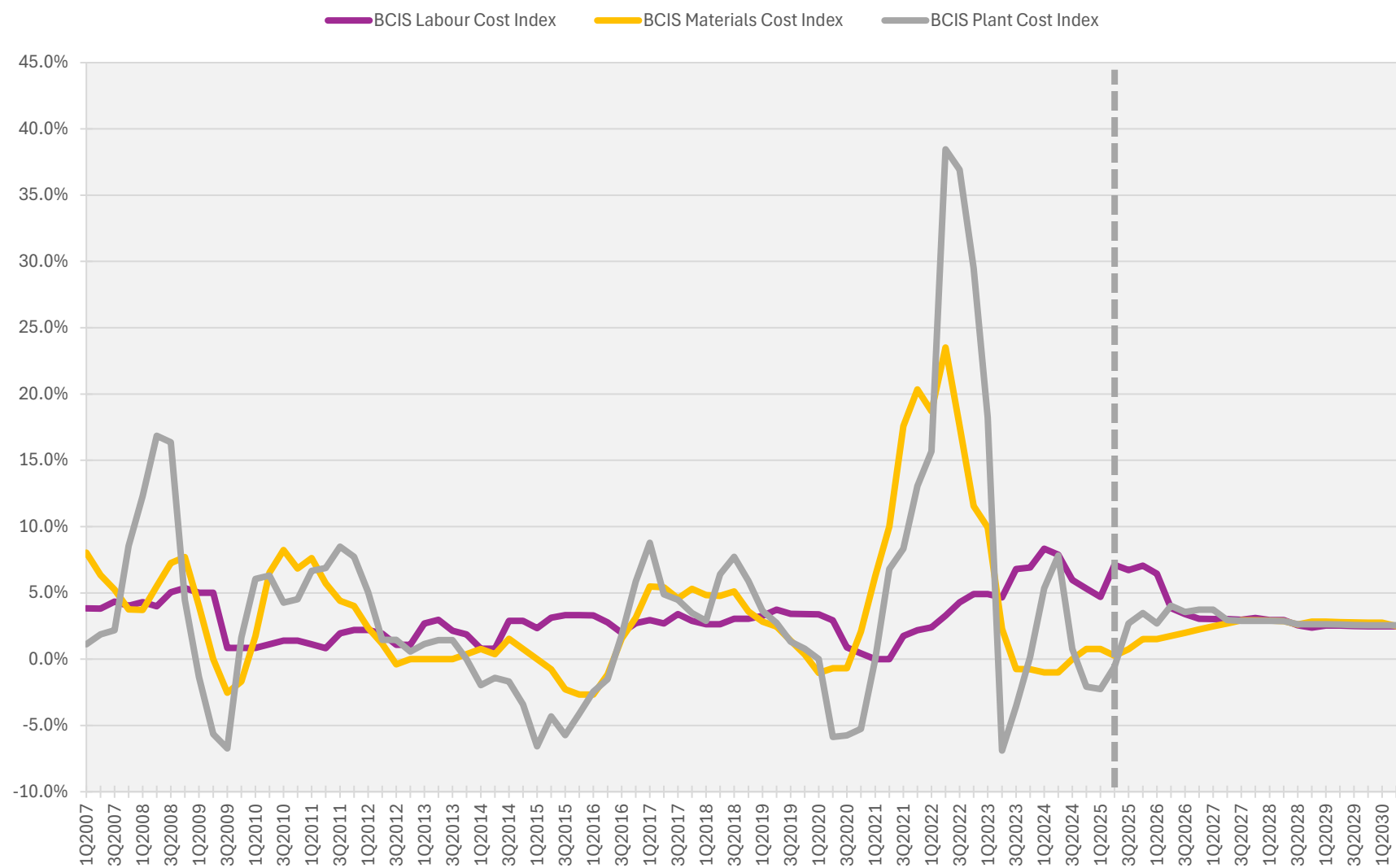
## **Costs & prices**

# GROWTH IN BCIS GBCI & TPI (BCIS 2025)



Growth in building costs up marginally, but expect them to flatline through 2026. Tender price growth remains subdued for the forecast period

# GROWTH IN BCIS INPUT COST INDICES (BCIS 2025)

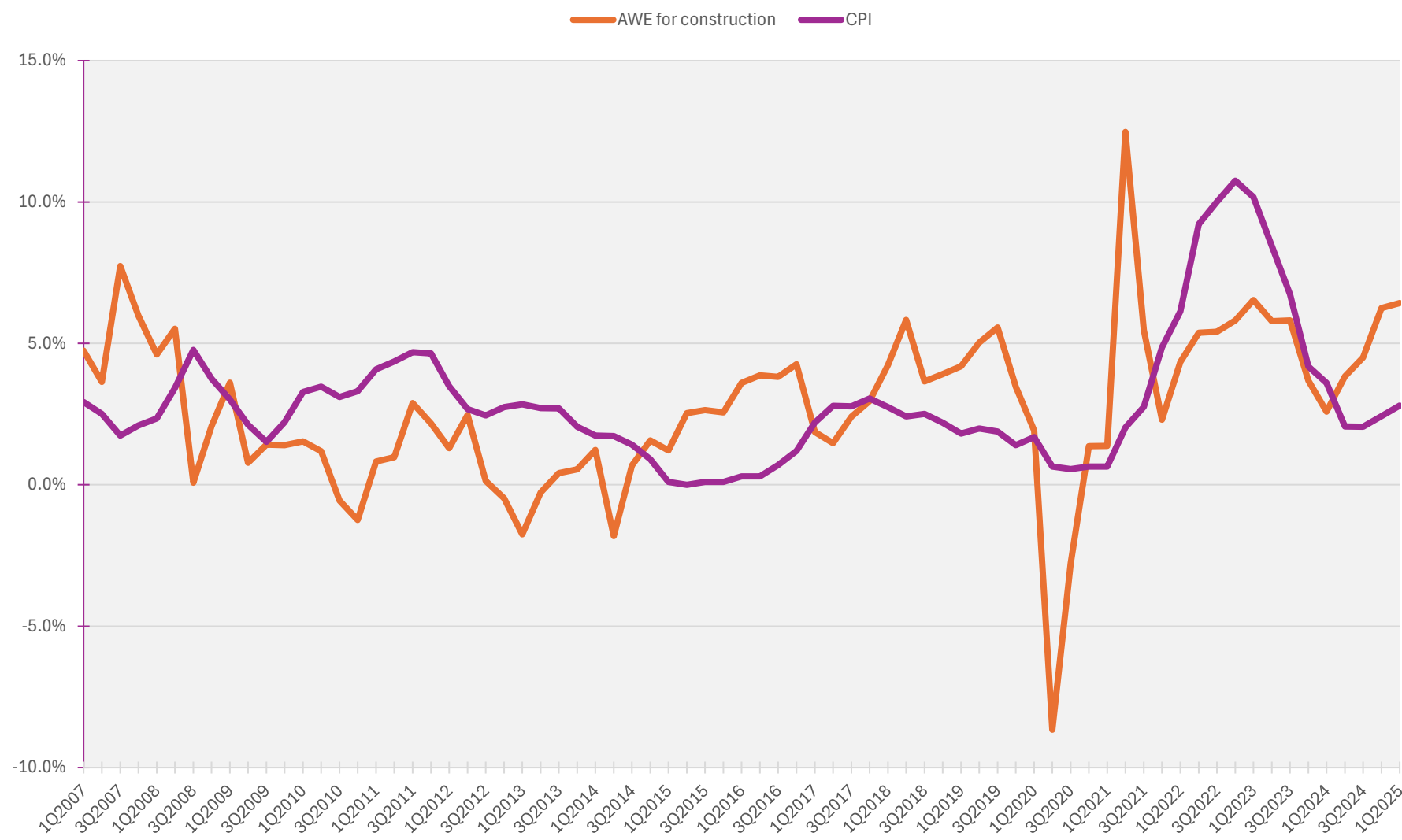


Materials cost increases have slowed, although predicted to pick up again next quarter.

Labour costs on the rise, although likely to tail-off from 2026 onwards.

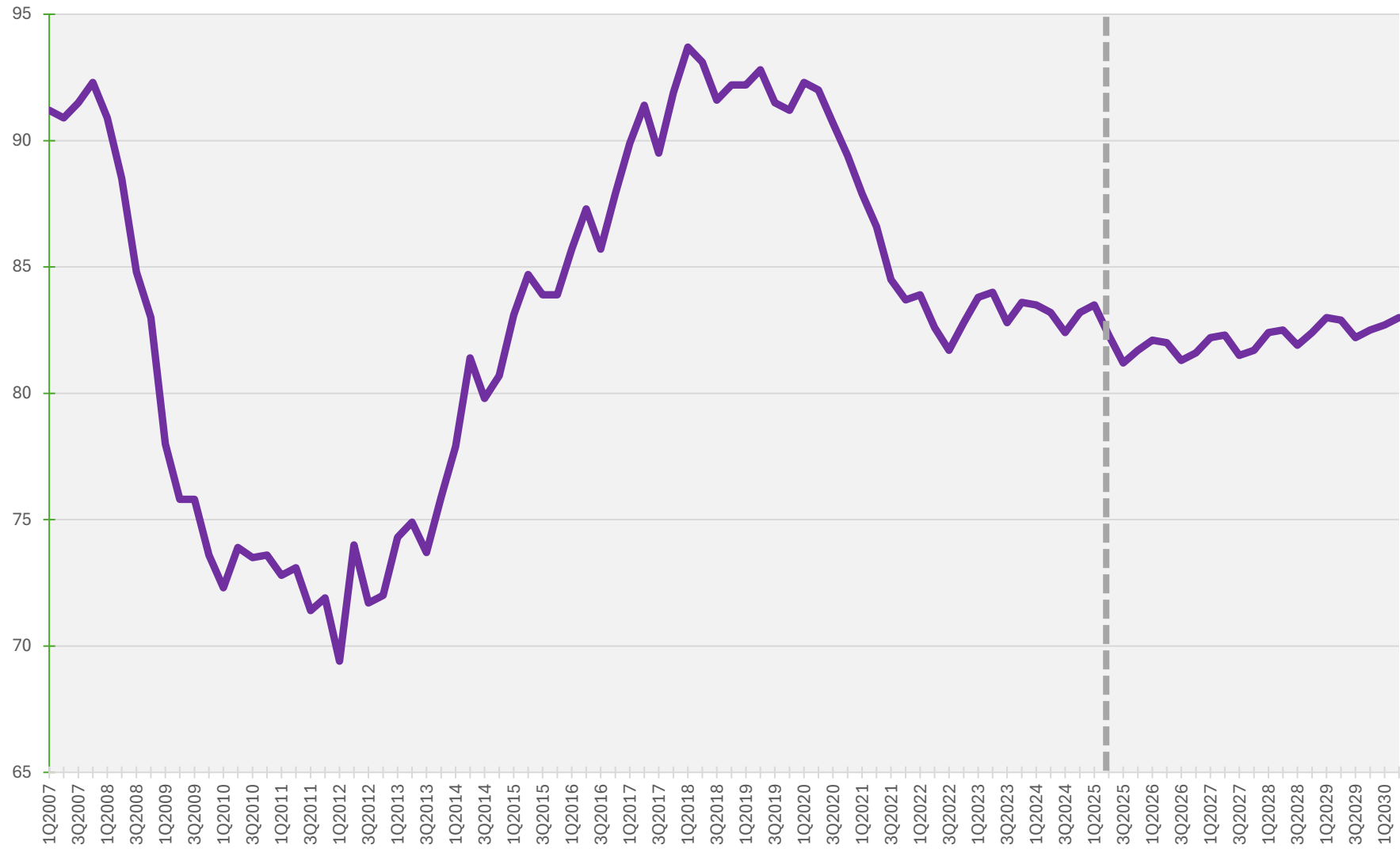
Plant costs increasing from a low base

# GROWTH IN CONSTRUCTION EARNINGS VS CPI (ONS, 2025)



Earnings growth picked up last year and is currently at 6%, well above wider inflation

# MARKET CONDITIONS INDEX (BCIS 2025)



MCI is currently falling  
= costs are rising faster  
than prices.

Expect position to  
reverse by end of year

## Industry views

# BCIS INDUSTRY PANEL (VIEW ON THE GROUND)

## Procurement

- ▶ Number of drop-outs during tender stage has increased
- ▶ Bidders want more information up front, in particular delivery timetable
- ▶ Single stage procurement has more dynamic pricing

## Trades

- ▶ Keen pricing seen across demolition, piling and concrete packages
- ▶ General labour shortages remain concerning
- ▶ M&E premium continues

# BCIS INDUSTRY PANEL (VIEW ON THE GROUND)

## Sectors

- ▶ New build housing suffering delays due to Gateway 2 preparation and applications for HRB approval
- ▶ Key sector upticks are asset upgrade / decarbonisation projects, as well as Commercial fit-out with Tech & Legal sectors pushing return to office agenda
- ▶ MEP and fit-out hot markets
- ▶ Data centres still strong but investment in defence gathering pace.
- ▶ Education and Sports, leisure and hospitality also strong but depends where you are in the UK
- ▶ Projects that can move forward with greater certainty - e.g. sub 18m residential development, will get a good price

# BCIS INDUSTRY PANEL (VIEW ON THE GROUND)

## Project size

- ▶ Capacity constraints in large project market – main contractors trying to push up OHP
- ▶ Smaller projects offering quick start and relatively low pre-construction resource commitment offering opportunities to more nimble contractors and attracting more competitive bids

## Logistics

- ▶ No logistical challenges at present. Market is relatively quiet
- ▶ Insolvencies within construction, particularly among Mechanical and Electrical (M&E) subcontractors, pose significant risks to project delivery and cost stability
- ▶ Currently in a wait & see scenario. Uncertainty about current global trading conditions means that many projects are on hold

# Summary

# WHAT'S THE OUTLOOK FOR CONSTRUCTION?

- ▶ Output increasing and predicted to grow this year before accelerating in 2026
- ▶ Orders increasing, which should boost the future pipeline
- ▶ Building costs increasing, largely driven by increasing labour costs
- ▶ Tender price growth stagnating, but for how long if demand picks up?
- ▶ Materials costs increasing, albeit slowly
- ▶ Labour cost increases have picked up as impact of the NIC & NLW uplifts feeds through, but expected to slow
- ▶ Plant costs on the rise, but from a low base

# CONCLUSION

- ▶ Picture has changed significantly since the start of the year and our last outlook
- ▶ Things appear more positive, although some concerns remain - largely around capacity
- ▶ Spending Review and subsequent Infrastructure Strategy broadly positive, with significant investment in built assets announced
- ▶ Serious challenges remain, not least how to attract private investment to fund future projects
- ▶ ...and we need sight of the project pipeline to allow the sector to plan for delivery

With the growing adoption of AI and machine learning, how do you see these technologies **reshaping construction cost forecasting in the next five years?**

Could AI complement or even challenge traditional index-based methods like those provided by BCIS?

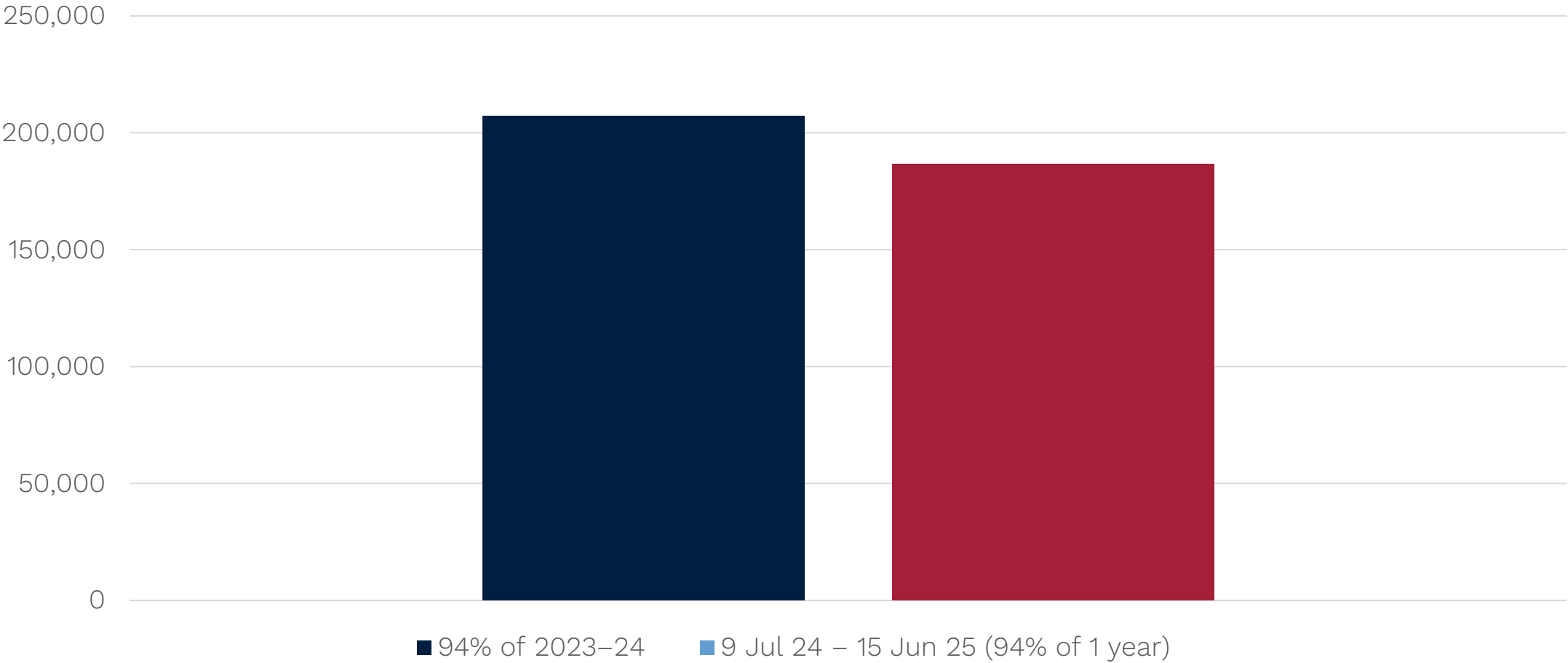
How is BCIS planning to adapt its forecasting models to better capture the **impact of emerging geopolitical shocks**: such as conflicts and trade disruptions that cause sudden and volatile changes in construction costs?

Are there plans to integrate real-time global risk indicators or enhance responsiveness to such external shocks?

Or do you believe there is no need to explicitly integrate real-time geopolitical risk indicators into cost forecasting models?

How would you evaluate the government's first year in office?

EPC-based estimates of net additional dwellings in England - 1st year of Labour government against 2023/24



The government has said it will only **consider public-private partnerships** in projects and sectors where there is a **revenue stream**, where appropriate **risk-transfer** can be achieved, and where **value for money** for taxpayers can be secured.

Do you see any risks with this approach?

# QUESTIONS



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