BCIS Webinar - Construction outlook: what's next for the industry?

On 15 January 2026, BCIS held a webinar entitled 'Construction outlook: what's next for the industry?'. During the webinar, attendees had the opportunity to submit questions.

Below is a selection of the questions that were submitted, with answers from BCIS's chief economist, Dr David Crosthwaite.

Q: Could you clarify the assumptions underpinning the positive outlook for private housing, given the sector's current viability challenges?

A: Interest rates and inflation are on the way down and both regulatory blockages and pent-up demand appear to be easing. Further, the wider economy has shown some growth and we predict that these factors combined are likely to lead to improved viability for new residential work, albeit from a relatively low base.

Q: What is your view on the recent EU steel tariff increase that will affect the steel exporting industry, and how do you anticipate it will impact the UK construction sector?

A: It will probably lead to lower steel costs domestically as there will be a glut of product that may have otherwise been exported. However, disruptions to supply chains can make steel prices much more volatile, and long-term effects on construction projects will depend on how well the industry adapts.

Q: Why do you think private finance is reluctant to invest in infrastructure?

A: Investors need to see the potential for a good ROI before they commit to long-term investment in projects. Given the state of the UK economy over the past few years, they probably need to be convinced that any investment will bring them sufficient return. Also, we are awaiting clarity from the government in terms of the PFI/PPP funding mechanisms they are going to adopt.

Q: How do you think the heritage sector will fare in relation to other sectors in 2026?

A: Given the age of our building stock, the heritage sector should do well, but it is difficult to measure as data is not available at that level of detail.

Q: Does there need to be a bigger push on apprenticeships from the government given smaller construction companies' reluctance to train people?

A: I think there's an opportunity for larger firms (Tier 1, 2, 3) to do more in this space, alongside government support.

Q: Could construction output pick up if there aren't people available to build?

A: We will see where labour shortages exist more clearly if demand does rise over this year. Increased activity should attract re-entrants and potentially new entrants to the sector.

Q: Why does the S&P/CIPS Purchasing Managers' Index indicate significant recent contraction in output, which appears inconsistent with data from the Office for National Statistics (ONS)?

A: They both use different methods and are measuring different things. S&P's PMI is a balance survey reporting on sentiment of activity, whereas the ONS collects actual output data in value terms via a business survey.

Q: Given the volatility with labour and prices in the MEP market, could this be the portion of construction projects which could present the bigger issue if/when demand for construction works increases?

A: Potentially, although MEP services are typically delivered later in projects so I suspect that capacity issues might arise for early-stage packages if demand really ramps up when projects start.

Q: Picking up on the point on the skills shortage, and the Government commitment to Build Baby Build, with the average age of bricklayers approaching 60, surely the Government need to invest in trade skills training

A: The government has announced some measures to improve access to trade training, but I think the larger firms (Tier 1, 2, 3) have an opportunity to do more in this space, alongside government support.

Q: Are there any current global circumstances that may affect the UK market?

A: We live in interesting times in an increasingly globally connected world, but I don't think that any of the current international issues should have a major impact on UK construction.

Q: Could you talk about the PFI initiative and if it would be positive for the industry in your view?

A: Private finance wasn't expanded on explicitly in the Budget but, given the state of the public finances, it is probably the only way that new infrastructure is going to be built. We are awaiting clarity from the government in terms of what PFI/PPP funding mechanisms they are going to adopt.

Q: Do you expect any specific materials to suffer high inflation over the next 12 months?

A: Insulation and M&E components.

Q: Do you detect much appetite by Contractors for the Office-to-Residential conversion sector?

A: Much of this market is property developer-led and is therefore governed by viability and potential ROI, which I'm not sure is there currently.

Q: Are construction costs increasing or decreasing?

A: Construction costs are still rising slightly but are expected to decline through 2026. Increases are still largely driven by labour costs, although the impact is diminishing, while materials cost growth has stabilised and labour cost inflation is slowing.

Q: How is London and the South East faring in the residential sector?

A: Most likely better than the rest of the country.

Q: How do you think the government can reconcile affordable homes with their plan for super insulated homes for zero carbon, given that they are more expensive to produce by comparison?

A: I'm not sure they can. The affordable homes commitment has been reduced in an effort to get developers building again. Compliance with the new energy efficiency standards in the updated Building Regulations will be mandatory from 2027, which will likely lead to an increase in development beforehand to avoid the extra costs involved with meeting the requirements.

Q: Considering the factors driving changes in construction costs, what is the typical ratio of materials to labour, how has this ratio evolved over time, and where can this data be accessed?

A: This data can be accessed with a BCIS subscription. You can find out more about our packages here.

Q: As managing agents handling insurance renewals, we've observed that the indexation of declared values by various insurers has been relatively modest over the past six months. This seems inconsistent with feedback from our developer clients and contractors. What are your thoughts on this?

A: Several factors are likely contributing. It's important to understand how the declared value was originally established and whether it was appropriate for reinstatement purposes, including the choice of index used. Policies renewing in the last six months are also likely to be relying on declared values set 12-18 months ago, during which time construction costs increased significantly. We'll be exploring these issues in more detail in a future webinar, so watch this space.