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BCIS webinar – Construction Outlook: what happens when high cost inflation meets low demand?

BCIS held its webinar, 'Construction Outlook: what happens when high cost inflation meets low demand?' on 2 July 2026. During the webinar, attendees had the opportunity to submit questions.

A selection of the questions submitted can be found below, with answers from BCIS's chief economist, Dr David Crosthwaite, executive director James Fiske and senior economist Sam Parkin.

What is propping up construction output if the residential sector is lower than -1%?

A: The aggregate output figure does mask divergence between sectors. Residential is dragging hard on the total, but it is being offset by infrastructure - energy, water, air transport and major projects already on site are sustaining output at a relatively high level. These are long-cycle, publicly funded or institutionally backed schemes that are largely insulated from the financing conditions suppressing residential.

Public non-housing is also contributing positively; hospitals, schools, justice and defence-related construction are maintaining volume where private sector work is pulling back. Non-housing repair and maintenance is holding up better than new work, particularly where government has signalled commitment to maintenance and renewal budgets.

The risk in using the aggregate is that it understates how bad conditions are in the sectors most exposed to market forces, while also understating how much of current output depends on public spending decisions holding firm. If infrastructure funding comes under pressure, as the defence spending redirect suggests it might, the prop holding up the overall figure becomes much less secure.

Q: How has low demand been factored into GBCI and TPI indices?

A: The GBCI - BCIS General Building Cost Index - measures changes in the cost of construction inputs, i.e. labour, materials, plant. It reflects what contractors are paying for resources, not what they are charging clients, so even in a low demand environment, GBCI can continue to rise if input costs, like materials and wages are increasing. The Middle East-driven materials cost pressures and ongoing labour cost increases feed into GBCI regardless of how much work is in the market.

The BCIS All-in Tender Price Index (TPI) is where demand has a direct influence. TPI measures the trend of contractors' pricing levels in accepted tenders, i.e. what clients pay at commit to build. When demand is weak and competition among contractors is high, contractors are less able to pass input cost increases through into tender prices.

This is precisely the dynamic we are currently seeing. TPI growth is therefore expected to remain subdued even as GBCI continues to rise, because the market conditions do not allow contractors to recover their full cost increases through pricing.

Q: What is CBAM?

A: Carbon Border Adjustment Mechanism. It places a carbon price on specified goods imported to the UK.

Q: In relation to attracting labour and skills into the industry, has there been a drop off or lack of interest in professional membership that the BCIS is aware of? Has the cost of membership in relation to cost of living had any impact?

A: BCIS doesn't hold data on professional membership numbers. This would have to be a question for the membership organisation.

Q: What are the biggest risks to the BCIS five-year forecast: geopolitical events, energy prices, interest rates, or domestic policy changes?

A: All of them, and the bigger risk is that they compound rather than act alone. A geopolitical shock can lift energy prices, which feeds through to material costs and keeps inflation, and therefore interest rates, higher for longer. Domestic policy sits alongside these as the factor most within the UK's own control, and potentially the most significant over a five-year period.

Q: Is there any evidence of the intake source of skilled labour turning from the traditional school leavers to degree educated office sector people?

A: We haven't seen any evidence that points to a shift from school leavers to degree-educated entrants from other sectors. The recent CITB-commissioned RMI Sector Skills Plan describes construction as stuck in a 'low-skills equilibrium', where the real problem is not a shortage of trained people but a weak link between training and employment. The clearer trend is upskilling the existing workforce towards broader, cross-cutting competence, rather than a new cohort arriving from office-based roles.

Q: Has the demand for construction cost and quantity surveying services increased? If so, has it impacted the rate to employ a quantity surveyor?

A: As demand is currently flat, there are no immediate concerns regarding quantity surveyor capacity, however our panel members have suggested that if demand was to pick up, then there could well be shortages with the consequential impact on availability and cost to employ.

Q: What factors should determine when to engage contractors early in a project? Does BCIS have costing analysis that compares and contrasts early contractor adoption versus traditional tendering?

A: Our view is that competitive tendering and earlier contractor engagement each have their place, and the determining factors are the characteristics of the project, its complexity, risk profile, design maturity and time constraints, rather than a general preference for one model.

On the data point directly: BCIS does hold tender price analysis broken down by selection-of-contractor method, covering competitive routes (open, selected, two-stage and framework), negotiated, serial and continuation contracts, and the design and build variants. For each we publish an index alongside the confidence interval, standard deviation, range and sample size, so you can compare not just the typical outcome by route but the spread around it.