ECONOMICS

RICS

Global Construction Monitor

Q1 2024

Responses were gathered in conjunction with the following organisations:

Canadian Institute of Quantity Surveyors | Institut canadien des économistes en construction

PICQS

Consejo General de la Arquitectura Técnica de España

AACE International

ECONOMICS

Global construction activity gains further momentum with Europe showing early signs of recovery

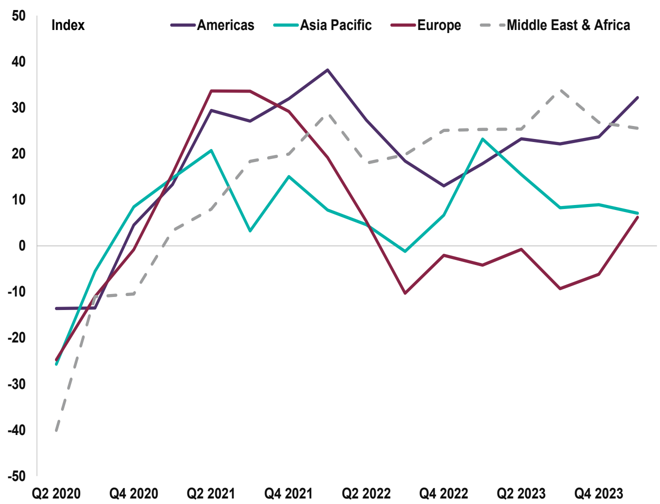
- Construction Activity Index moves further into expansionary territory, supported by a turnaround in Europe and improved impetus across the Americas
- Infrastructure remains the sector with the strongest outlook across all regions
- Industry employment levels anticipated to rise most firmly in the Americas and MEA over the next twelve months, with Europe and APAC still lagging somewhat

The Q1 2024 RICS Global Construction Monitor results paint a slightly improved picture in terms of headline market activity. Supporting this, a modest recovery now appears to be underway in Europe. At the same time, a pick-up in impetus was cited across the Americas, while conditions remain solid within MEA. That said, momentum is still being somewhat curtailed by financial constraints and labour/skills shortages, both of which are again highlighted as significant impediment to the construction industry across many parts of the world.

Construction Activity Index moves further into positive territory

At the global level, the composite CAI registered a reading of +15 in Q1, up from +10 last time (marking the most positive return since Q1 2023). Consequently, this latest figure is consistent with slightly stronger momentum in overall activity. Chart 1 displays the CAI data disaggregated across broad world regions. Perhaps the most noteworthy development in the latest results can be seen in Europe, with the headline CAI moving into modestly positive territory for the first time since early 2022 (edging up to +6 compared to -6 last quarter).

Chart 1 - Construction Activity Index by Region

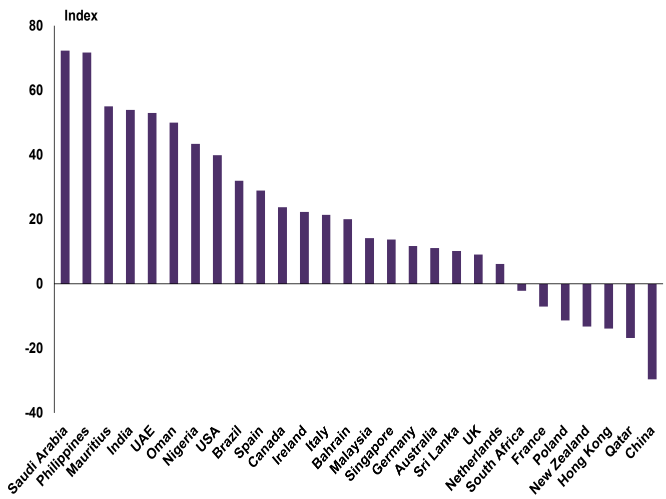


Also of note, the Americas now exhibits the firmest reading across all world regions, with the CAI rising to +32 from +24 in the previous iteration of the survey. In fact, the latest figure represents the most upbeat reading within the region since Q4 2021. Alongside this, the overall feedback remains solid across MEA as a whole, posting a CAI reading of +26 which is virtually unchanged from +27 last time. For APAC, the CAI returned a figure of +7 in Q1. Although this is marginally lower than +9 previously, it is still signalling a slightly positive trend nonetheless.

That said, there remains a stark contrast in conditions being reported across different parts of APAC (country level data shown in Chart 2). At the weaker end of the spectrum, China continues to display a particularly negative CAI reading, with the latest value of -30 representing the most downbeat figure on record (series goes back to 2018). Similarly, the headline sentiment gauge remains cautious in Hong Kong (-15) and New Zealand (-13). Conversely, India and the Philippines returned robust CAI readings during Q1, consistent with strong construction output growth in both instances.

Elsewhere, MEA markets such as Saudi Arabia, the

Chart 2 - Construction Activity Index by Country



UAE, Oman and Nigeria all continue to post CAI results which are signalling a strong expansion in activity.

Meanwhile, feedback across the United States strengthened noticeably in Q1, captured by the CAI rising to an eight-quarter high of +40 (from +23 previously). Likewise, there was some degree of improvement in the composite activity metric noted across Canada, Spain, Germany and the UK through the early part of the year.

Infrastructure still seen delivering the strongest expansion on a sectoral comparison

Chart 3 shows regional aggregate twelve-month workload expectations by sector. While infrastructure continues to display the most upbeat outlook in each case, the Q1 results did see forward-looking sentiment improve in other categories. In particular, the previously negative view on private residential workloads across Europe was reversed, with a net balance of +12% of respondents now envisaging an increase in housing development starts (up from a reading of -11% beforehand). Similarly, private non-residential construction activity is also seen rising at the pan-European level over the next twelve months, evidenced by a net balance figure of +15% coming through in Q1 (-2% previously).

Meanwhile, across the Americas, twelve-month expectations were upgraded noticeably for private residential output, returning a net balance of +29% compared to +10% in Q4. Alongside this, an even stronger improvement was seen for private non-residential workload expectations, as the net balance rose to +50% from +32% last time.

Although workload expectations were largely unchanged across MEA, the latest results are still indicative of a solid outlook for all market segments over the year to come. By way of contrast, the regional aggregate picture for APAC is still largely subdued away from the infrastructure sector, with private residential and non-residential workloads only seen rising marginally. For more context however, the flat regional average view is a result of the strong growth anticipated in markets such as India being offset by the expected downturn in China, Hong Kong and New Zealand.

Chart 3 - Twelve-month expectations by sector

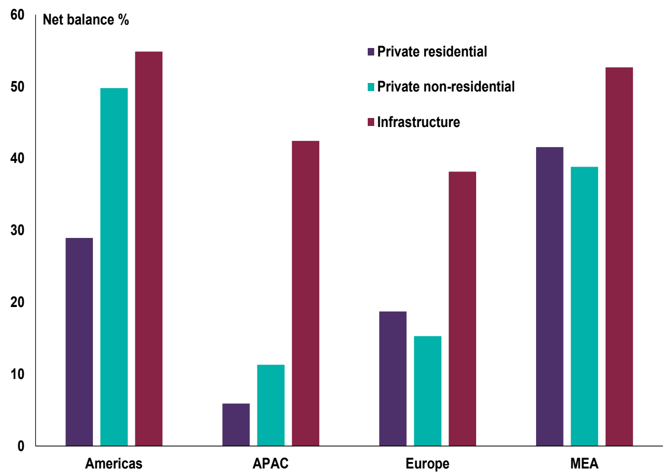
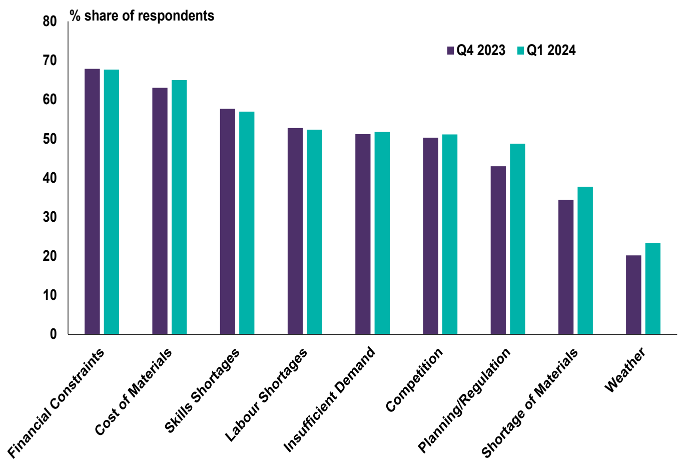


Chart 4 - Factors Limiting Construction Activity



Back at the global level, the outlook for employment across the construction industry as a whole remains modestly positive, with an aggregate net balance of +19% of contributors anticipating an uplift in headcounts. Leading the way, construction sector employment levels are seen rising at the strongest pace (in net balance terms) across the Philippines, Saudi Arabia, Nigeria, Oman, India, the UAE, Mauritius and the US over the year ahead.

Financial constraints still the most prominent market impediment

As illustrated in Chart 4, financial constraints remain the most widely referenced factor said to be hindering the construction sector, with 68% of respondents citing such headwinds globally (unchanged from Q4). In keeping with this, the net balance for the current credit conditions indicator came in at -17% in Q1. This suggests that the lending environment became a little more restrictive over the quarter. Nevertheless, supported by widespread expectations that many of world's largest central banks will begin to loosen monetary policy later in the year, a net balance of +16% of survey participants foresee credit conditions improving over the next twelve months.

Interestingly, there was a small rise in the proportion of respondents pointing to material costs as having a negative influence on construction output in Q1 (from 63% to 65%). Although this is a very modest increase, it does bring to an end a run of seven consecutive reports beforehand in which material cost constraints appeared to be easing somewhat. Alongside this, skills and general labour shortages remain a challenge in many parts of the world, evidenced by over 50% of respondents highlighting such shortfalls at the global level in Q1.

Chart 5 - Current construction workload trends and 12-month expectations

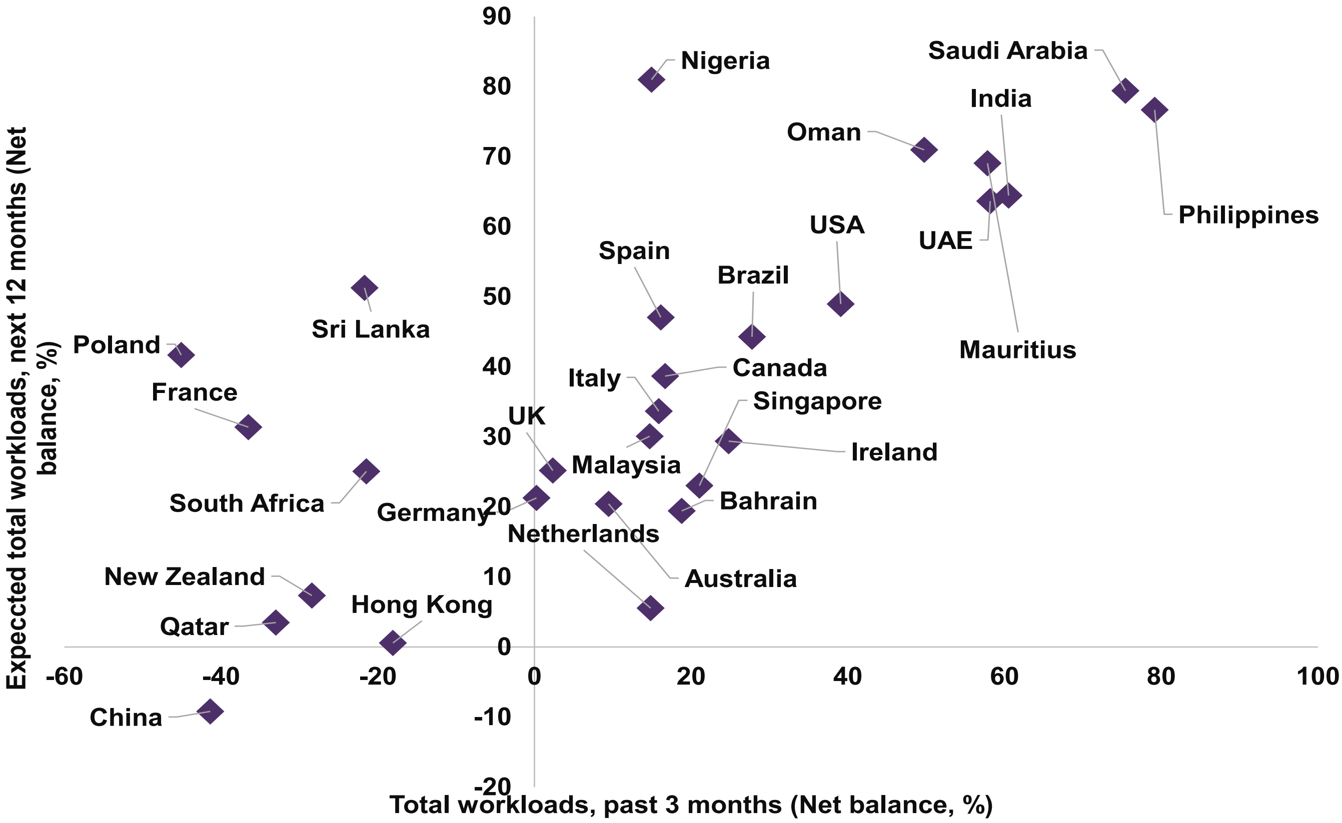
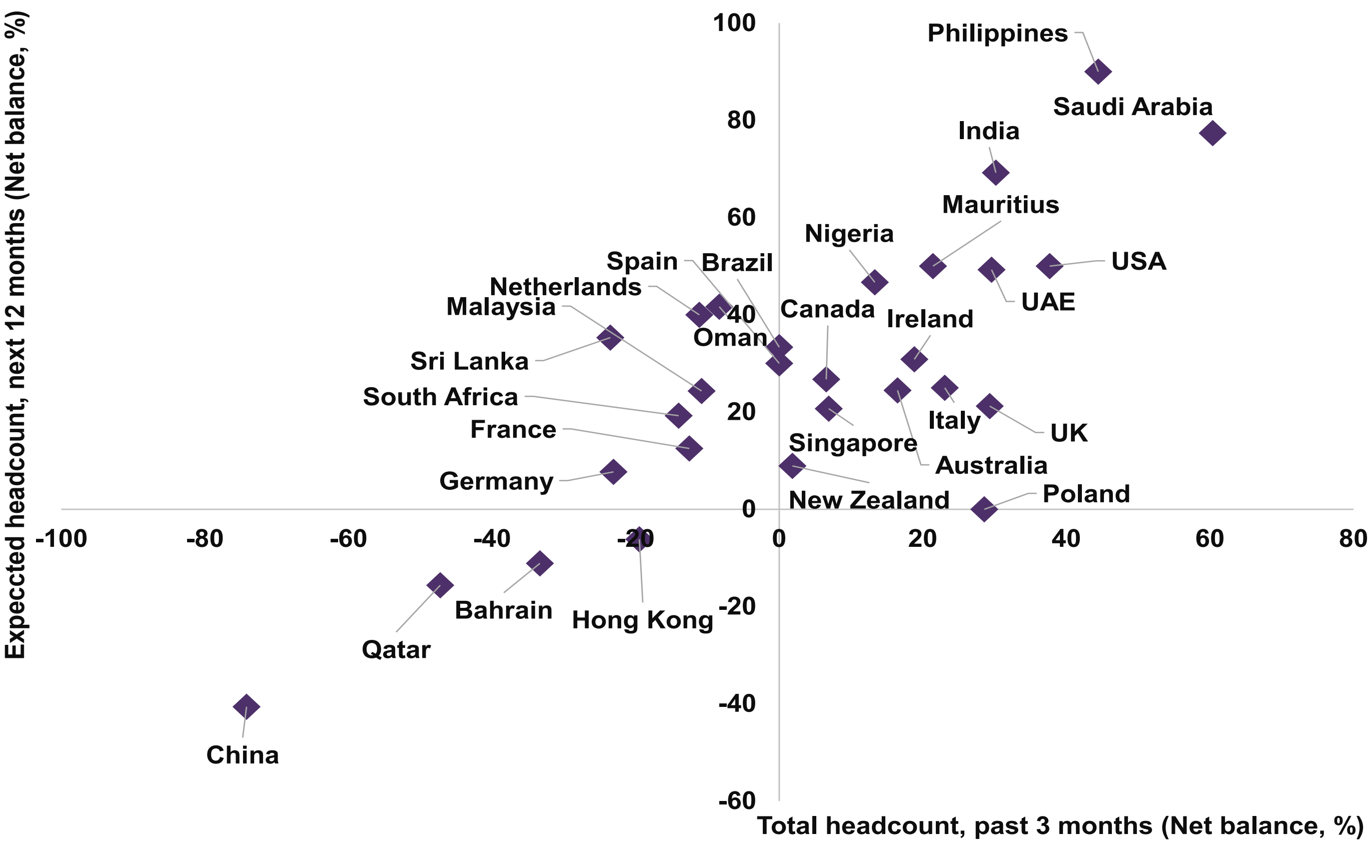


Chart 6 - Recent trends in industry headcount and twelve-month expectations



APAC: Philippines and India continue to lead the way while sentiment in China remains weak

The headline reading for the Construction Activity Index (CAI), across the whole of the APAC region, was little changed in Q1 at +7 as against +9 in the final three months of last year. As has been the case in recent iterations of the survey, the aggregated result masks a significant divergence in the feedback received at a country level. This is clearly demonstrated in Chart 1. Once again, the Philippines generated the most upbeat CAI with the +72 surpassing the +57 recorded in Q4 2023. For India, the comparable figures are +54 and +50 which continues to point to a strongly performing construction sector. At the other end of the scale, China, Hong Kong and New Zealand continue to record negative results when it comes to the CAI.

Workloads reflect mixed picture across region

The picture painted by Chart 2 is one in which infrastrucure is the sole sector showing workload growth at the present time for the whole of APAC. Also, even when it comes to the forward looking metrics, it is still clearly the likely driver of activity in the construction industry. However, as with the CAI, this interpretation is rather too simplistic. In the case of both the Philippines and India, the current workload indicators as well as the expectations series' are pointing to much more balanced growth. Indeed, in the case of the latter, the momentum is if anything a little stronger in the residential sector. Perhaps unsurprisingly, it is the insight provided by respondents based in China that is playing a big role in distorting the regional aggregates. This is particularly the case when it comes to residential, where a net balance of -77% are seeing falling workloads. Interestingly, this figure still remains deeply entrenched in negative territory even when it comes to twelve month expectations. For Australia, there appear early signs of an improvement in the mood-music when it comes to housing development, with the current workloads reading rising from +2% to +12% in net balance terms, while the expectations metric remains relatively firm (+22% v +21% in the previous quarter).

Profits outlook still downbeat

Despite the modestly positive CAI at a headline level, there is still some caution when it comes to profitability in the industry. The headline net balance tracking feedback about the current environment is still firmly negative with a net balance of -34% (as against -38% previously). The forward looking series, once again, produced a positive result but it was significantly less so than in the final period of 2023 (+5% v +27%). Needless to say, the Philippines and India are at the upper range of positive expectations. Perceptions in both Hong Kong and China are understandably more cautious, with New Zealand and Singapore still slightly negative on this indicator. For Malaysia, the figure was modestly positive.

Widespread challenges for the construction industry

Chart 3 tracks the share of respondents highlighting skill shortages as an obstacle to development at a country level across the APAC region. It is cited by 82% of respondents in Sri Lanka, 79% in Singapore, 71% in Australia and 70% in both India and the Philippines. However, financial constraints and the cost of materials are also viewed as big hurdles. Predictably, insufficient demand was mentioned by almost all contributors from China and almost three-quarters of those from Hong Kong. The contrast to this was provided by the Philippines where it was identified by just 20% and in India where the figure was a little higher at 39% .

Chart 1 - Construction Activity Index

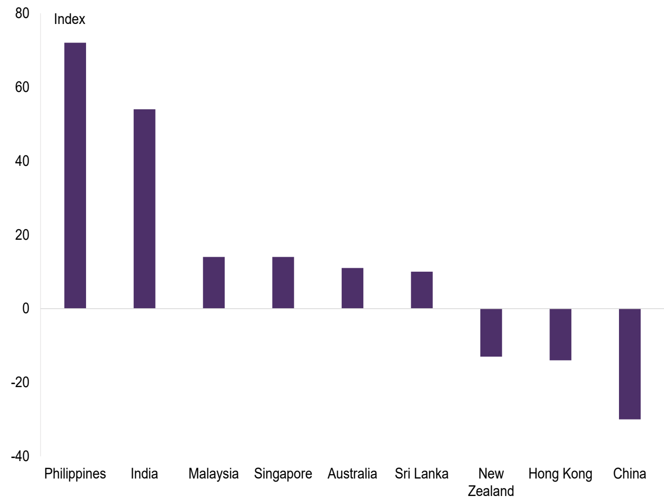


Chart 2 - Current and Expected Workloads by Sector

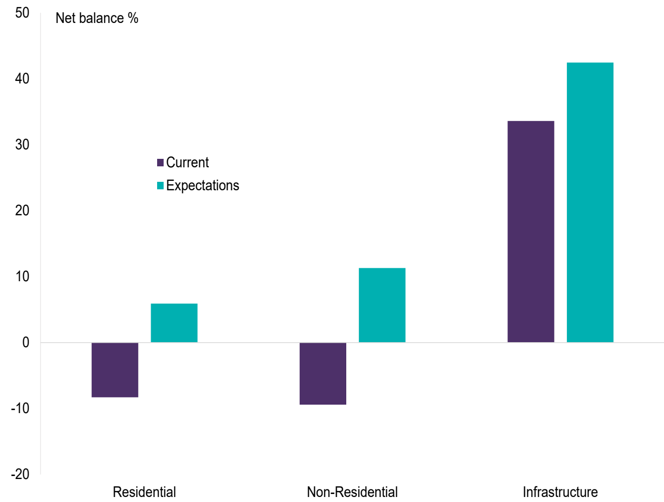
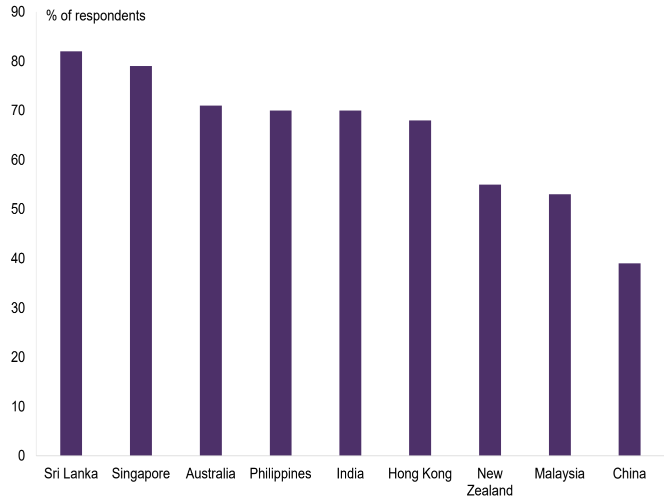


Chart 3 - Skill shortages an obstacle to development



Regional comments from survey participants in APAC

Australia

The apportionment of risk and the ongoing liability has caused the withdrawal of delivery partners, and impacted costs. The time that it is taking for approvals or decisions in some states is having a major financial impact- Australia

Impact of Government and Union relations driving up labour cost - Brisbane

Bad and non-existent political decision making at Federal and State Government level and an anti free market, and monopolised financial system - Brisbane

Union activity including stoppages and interference with the selection of suppliers and sub-contractors - Brisbane

Skill labour shortage - Brisbane

Union influence that is detrimental to all - Brisbane

Financial crisis - Brisbane

Anticipate a correction in the market followed by a interest rate drop followed by a kick back in the market again - Hobart

Interest rates causing investment uncertainty - Melbourne

High interest rates - Perth

There remains a shortage of skilled and semi-skilled blue collar workers - Perth

Labour shortages are killing works - Perth

Lack of Tier 1 building contractors (only one) with limited high end Tier 2 increasing pricing and reducing demand - Perth

Lack of adequate funding due to increased cost of materials and all associated with construction - Queanbeyan

Labour shortages - Sunshine Coast

Investment in skilled labour, comprehensive master planning rather than projects developing in silos at both macro and micro levels, insufficient budget, workers can't afford to live near work sites/jobs - Sydney

Skilled and unskilled labour continue to be the greatest challenge in the construction market. Also, graduates are not "job ready" and take a while to gain knowledge on the job, universities need to be more attentive to turning out work ready graduates - Sydney

Challenging remote project locations - Sydney

Slowdown in public spending by State Govt deferring or delaying projects - Sydney

Resource pools need extending in the young - both diversity and culture - Sydney

I am seeing more and more building construction companies (mainly subcontractors) which are entering administration and collapsing. Most obvious reason being the unaffordability to trade on credit even short term due to increased bank interest rates and increased in overseas supplied building materials - Sydney

Lack of competition, cash flow issues and contract biased towards employer/ client and international competitors joint venturing with Australian entities - Sydney

The global economy is still not fully recovered. Lack of overseas investments pumping money into the local market to boost the economy - Sydney

Culture and lack of diversity are still a major issue and seem to have gotten worse since the pandemic - Sydney

Increased cost of construction making development too risky for residential, commercial and industrial development - Sydney

Delay/deferral of capital works project especially NSW and Vic - Sydney

Biggest issue is the lack of skilled operators either on the tools or in the office. Universities are not producing industry ready candidates and the TAFE system is almost useless, due to a lack of funding, to fill the vacancies that exist 'on the tools' - Sydney

Promote Quantity Surveying as a profession and that "Cost Management" is not a profession, it's a skill - Sydney

No commercial / quantity surveying courses in Australia - Sydney

Slower post-COVID decision making- Sydney

Having overseas professional membership is not widely recognized in Australia, especially surveying (incl. Quantity Surveying). The most widely recognized professional membership in Australia perhaps is Engineers Australia, which however does not covering Quantity Surveying. AIOS is an alternative which is a locally recognized Quantity Surveying professional but it is only preferred qualification for working in private quantity surveying firm only but not too seriously emphasized in contractors - Sydney

Increased cost of construction making development too risky for residential, commercial and industrial development - Sydney

Brunei

Reduced domestic demand due to higher costs of living due to inflation and higher cost of borrowing - Bandar Seri Begawan

Lack of government spending on new projects - Bandar Seri Begawan

High cost of labor and materials & financing costs, shortages of materials; slacking demand due to price escalation beyond the affordability threshold of of the public - Bandar Seri Begawan

China

Insufficient demand, the market will not reverse in the short term value - Guangzhou

It is hoped that the government will increase its efforts in urban renewal- Guangzhou

Insufficient demand - Handan Market

Demand for commercial and real estate investment projects has declined, and government spending and finances are tight - Shanghai

Capital liquidity is insufficient. It is expected that in the future, we must focus on developing improved demand and stimulating market liquidity is very important - Shenzhen

Market environment and credit market - Wuhan

Infrastructure construction is reduced, urban renewal, new infrastructure and industrial park development are the mainstream - Zhengzhou

Hong Kong

China's investors are now coming back to Hong Kong and willing to buy luxurious properties

Not enough labour

Shortage of skilled labour

Occupier demand and investment led demand are too weak to reignite the value of local property development

Tendering, Planning, Site Supervision

Political impact and local legislation may affect the overall atmosphere of investment and construction markets

Political environment

Competitive environment in tendering may lead to low tender price, but actual construction costs cannot be reflected

Policy and planning

Real estate going downhill along with government budget cutting, it is anticipated to impact upon future projects

Political issues

Economic downturn, Russia-Ukraine war

The adverse effect of price undercut in the past 18 months appears. it is expected that several contractors and consultants will face financial difficulty or liquidate in the coming 12 months

Property selling price lowered by developers

Labour supply

Government policy

India

Restricted window of time in city locations - Bengaluru

Competition, availability of skilled vendors & workers and construction cost - Bengaluru

Climatic change, inflation, shortage of resources can affect construction market - Bengaluru

Project approvals from Govt - Bengaluru

Skilled labour & engineers - Bengaluru

Lack of skilled work force and trained work force etc. - Bengaluru

Lack of skilled professionals - Chennai

Regional comments from survey participants in APAC

Increase in material costs will affect the construction market - Chennai

Unskilled labour and volatile commercial driven market - Delhi

Digitilisation - Delhi

Inefficient processes for Municipal and Regulatory approvals - Delhi

Cement, sand and steel prices influencing the construction cost - Hyderabad

Decrease in new project starts - Hyderabad

Mismatch in product between supply and demand in mid segment residential target audience - Mumbai

Due to recession in west, the upcoming project will be less. This will affect the supply and demand of skilled trades.The creative and innovative work will get limitations due to budget issues. Cost and scope optimisation will be on priority. Payments might get delayed - Mumbai

Lack of Risk Analysis and improper construction schedules - Mumbai

Supply chain and manpower management - Mumbai

High material cost and shortage of skilled and unskilled labourers - Mumbai

Skills and ESG Standards - Mumbai

Adoption to Digital tools is slow, there is a big push for sustainability in construction - Mumbai

Unethical competition - Rajkot

Corruption - Vadodara

Indonesia

Data Centres appear to be a major component of the construction market - Jakarta

Malaysia

Demand less. Over supply. More competitions - Cheras

Lack of funds for GLCs to kick-start their projects due to the Federal govt's re-calibration of priorities - Georger Town

Lack of house price within the affordable income range - Kota Kinabalu

Uncertainty of law and regulation (Statutory Adjudication Act) - Kuala Lumpur

Delay in payment from the employer affecting the project cashflow - Kuala Lumpur

Political stability - Kuala Lumpur

Geopolotical stability and climate change - Kuala Lumpur

Financial enviroment and government policies - Kuala Lumpur

Increase of Sales and Service Tax - Kuala Lumpur

Current political climate in the country is not conducive to encourage foreign investments - Kuala Lumpur

Lack of skill and unskilled labour, lack of professionals, material price increases - Penampang

The government budget spending on public infrastructures seems slow and does not lift up the construction activities - Petaling Jaya

New Zealand

Change of government and spotlight on public projects has put a hold on large scale projects - Auckland

Availability of materials - Auckland

Recent change in government and interest rate volatility - Auckland

Interest rates and funding issues - Auckland

Poor decisions by government during Covid created inflation. The resultant increase in interest rates means less projects are financially viable so outlook in bleak for the next year or so - Auckland

Lack of competent professionals not following CCA, late payments affecting subcontractors - Auckland

NZ has hit recession which brings on a bit of uncertainty - Auckland

Economy downturn has led to less commercial or highrise projects, but more investment in infrastructure - Auckland

Cuts by the new government impacting public sector and economy - Christchurch

Sentiment in the market is to "survive to '25". Suppliers not geared for a downturn are at risk - Christchurch

Financial constraints - Christchurch

Change in government resulting in delayed / shelved projects - Christchurch

New Government in October 2023 has caused a pause as business waits to see what happens. New NZ Government has cancelled many projects that have impacted our business and suppliers - Hamilton

Local Govt Works underpinning the market (infrastructure and roads mainly) as slow down felt on private resi and commercial but millions wiped off opportunities due to Govt Change and removal of Better off Funding stage 2 - Nelson

General cost of living crisis and change of government - Queenstown

Delays in design changes and amended building consents impacting construction programming /planning, EOTs and triggering an increase in Arbitration / Litigation cases. Construction Project Managers abd Site Managers don't have the knowledge to update their programme's accurately, and they have limited skilled resources. Quite a few don't understand their contracts - Silverdale

Instability of the government, tax policies, lack of private investors, brain drain - Takanini

Change of government - Wellington

Philippines

Increasing emphasis on low price but the conditions of contract are becoming more stringent - Cabuyao

Infrastructure projects are the biggest growth area currently - Manila

Insufficient manpower which includes professionals and skilled workers - Manila

In the Philippines there is both a skills gap within the professional sector and a labour shortage - Quezon City

Geopolitics - Sorsogon

Singapore

Ministry of Manpower labor restriction's on Employment Pass and SP

Wars, global tensions

Construction remains vibrant with some capacity for future demand but cashflow remains a concern with the potential for contractor default being quite high, since margins are constrained and liquidity has not returned to pre-Covid levels

Competition from Chinese companies

Sri Lanka

Political instability of the country, high inflation, resources scarcity - Colombo

Political instability of the country, high inflation, resources scarcity - Colombo

The effects on the strengthening of the Sri Lankan Rupee against the US Dollar. + 10% in the last 3 months - Gampaha

Continuing exodus of professional staff to the Middle East - Gampaha

Cost of materials in various ways to produce them and labour and skills shortage may impact the increasing of cost in the construction industry - Gampaha

Sri Lanka has faced severe economic crisis after covid 19 pandemic consequences and now the economy is recovering and it seems like Sri Lankan economy and construction sector will grow at a healthy rate in the coming months and expecting continuous growth for another one year or more - Matara

In Sri Lanka due to the Financial crisis, can not expect a rapid increase in the Construction Industry. However, whole scenarion depands upon the Governments perspective pattern towards the construction Industry - Panadura

Thailand

Shipping cost, Some impotant construction materials price ex metal and others. , the big-middle real estate company/contractors, Demand and Supply in real estate market, Some goverment policy - Bangkok

Vietnam

Lack of demand and competitiveness - Ho Chi Minh City

Europe: Early signs of recovery emerging as expectations turn positive for private housing and commercial workloads

The Q1 2024 GCM results across Europe are now showing some signs of recovery coming through, with several metrics moving out of negative territory for the first time in over a year. That said, the backdrop remains relatively fragile at this stage, as economic growth is still subdued in many parts of the continent, while lending costs are set to remain quite restrictive even if monetary policy is loosened somewhat during H2 2024.

Construction Activity Index returns to positive territory

Across Europe in aggregate, the headline CAI improved to +6 in Q1, up from a reading of -6 previously. In fact, this marks the first quarter in which the CAI has been in expansionary territory since early 2022. Even so, a figure so close to zero is indicative of only a modest recovery at this stage. Chart 1 shows the CAI data at a country level across European markets. During Q1, the Netherlands, the UK, Germany and Spain all saw their respective CAI readings turn from negative to positive, marking a noticeable shift in sentiment compared to the consistently downbeat picture reported over much of 2023. Within this, Spain saw the most significant turnaround, as the CAI rose to +29 from a figure of -5 last quarter. Elsewhere, Ireland and Italy both returned CAI readings in excess of +20 for the second consecutive quarter (therefore consistent with a solid pick-up in construction output). At the other end of the scale, France is now the only European market tracked to return a negative CAI reading, albeit the Q1 figure of -7 is slightly less downbeat than -12 previously.

Outlook for workloads sees broad-based improvement

As illustrated in chart 2, all sectors saw an improvement in twelve-month workload expectations compared to the previous quarter. The infrastructure sector continues to lead the way, with a net balance of +38% of contributors across Europe in aggregate anticipating an increase in workloads over the year to come (up from a reading of +16% last time). At the country level, respondents based in Spain and Germany are now particularly optimistic with regards to potential infrastructure activity growth going forward.

Significantly, twelve-month expectations moved into positive territory across both the private residential and non-residential sectors at the pan-European level during Q1. This represents a noteworthy shift following a run of consistently negative workload projections for both categories throughout the entirety of 2023. Moreover, virtually all European markets covered are anticipated to see residential workloads recover to a certain degree over the course of the next twelve months. The only exception is the Netherlands, where respondents continue to hold a negative view on new housing development activity levels going forward. Regarding the private commercial sector, all nations with the exception of Germany are anticipated to see some uplift in workloads over the coming twelve months. Furthermore, even though a net balance of -8% of respondents in Germany foresee private commercial workloads falling, this is significantly less downcast than the reading of -40% seen previously.

Profit margins expected to stabilise

At a headline regional level, the latest net balance for twelve-month profit margin expectations came in at +3% in Q1, marking the first occasion since 2021 in which this indicator has been above zero. That said, the latest reading is signalling a stabilisation in margins, rather than an outright increase at this stage. Partly linked to this, respondents' forecasts for total construction cost inflation (displayed in chart 3) have eased once again in Q1. Crucially, total costs are now seen rising by 3% in the year ahead, substantially slower than the peak rate of 9.5% seen in 2021.

Chart 1 - Construction Activity Index by Country

Chart 2 - Twelve-month expectations

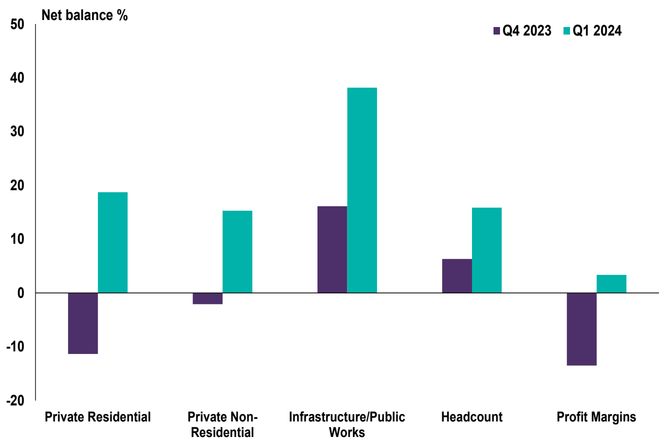
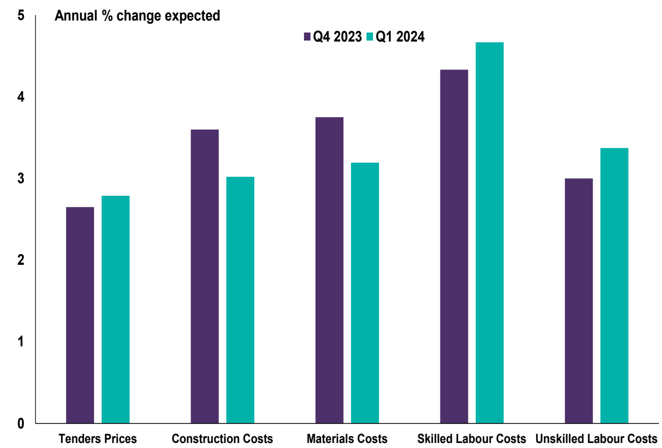


Chart 3 - Twelve-month cost/price projections



Regional comments from survey participants in Europe

Austria

Credit requirements in Austria are highly inhibiting. High interest rates stop planned projects. The construction industry is "hungry" for orders, most of which come from the public sector. - Graz, Grau surroundings, Bruck, Vienna

Bulgaria

Lack of transparency and market rules affect predictability and LT planning. - Sofia

Denmark

Infrastructure investment is concentrated in a few mega projects which increases competition. - Sorø

France

Olympic and Para Olympic Games - Grande Paris Travel Network. - Paris

Germany

Reluctance among tenants, long approval times - Frankfurt

Significantly increasing risk of insolvency among subcontractors, decreasing willingness to invest due to high interest rates. - Glückstadt

Uncertainty in the market. - Hamburg

Media that incites fear will drive up prices. - Hamburg

Too few affordable apartments due to high property prices. - Munich

Greece

Lack of human resource and increase in construction cost..- Athens

Ireland

Labour and skills shortages. - Castlebar

Commercial activity is lower leading to continuing competitive market conditions. This is reflected in tender returns although overall projects costs are increasing. - Cork

Availability of trade resources to undertake works.- Cork

Lengthy planning approvals and restrictions on new developments. Cautious/slower residential development partly due to uncertainty of medium to longer term demand.- Cork

FDI is high into Ireland, and the market will be boosted by a recent surge in our preferred sectors. - Dublin

Shortage of semi skilled labour and hybrid working - resistance to returning to the office and requesting flexible working. - Dublin

Supply of quality labour and experienced professionals is the current biggest restraint in the Irish market in my opinion. - Dublin

Labour supply and lack of construction knowledge within entry level professionals. - Dublin

We are heavily involved in upgrading and constructing industrial and manufacturing facilities which is seeing continued growth and client spend.- Limerick

Netherlands

Nitrogen impact and no government cabinet to make plans. - Den Bosch

Natura 2000 areas limit construction volumes. - Rotterdam

When interest rates fall, the market improves. - Rotterdam

Poland

No new projects. - Poznań

Portugal

Labour shortages. - Lisbon

Romania

Lack of new projects and political instability. - Bucharest

Ukrainian war, Middle East conflict, inflation. - Bucharest

Spain

In the case of Catalonia, political instability or non-approval of state budgets reduces public investment. - Barcelona

Recent regulations limiting the price of rental housing have caused a lot of uncertainty in investors. - Barcelona

Lack of municipal political initiative and current political situation at the regional level due to being in another electoral period again. - Barcelona

Local Authority inefficiencies and bureaucracy in issuing building licences within a reasonable time.- Marbella

United Kingdom

Availability of trustworthy trades people. - East Boldon

Lack of large contractors and MEP subcontractors in the Scottish Marketplace is affecting tender prices. - Edinburgh

We have noticed an increase in contentious works through claims on historic projects. - Exeter

High interest rates have come down causing more jobs before the election. I think it will get worse though. - Lemington

Lack of new work means skilled labour will see little or no increase in wages. People appear to be staying where they are rather than moving for higher wages. - London

Skills gap / difficulty in recruiting into Local Authorities.- Nottingham

Middle East and Africa: Strong construction activity growth continues

The latest GCM results for MEA are very much in keeping with the trends observed in recent quarters. As such, the feedback continues to depict a region in which construction market activity remains robust, with expectations over the coming year pointing to further strong growth on the horizon. That said, the current backdrop is not without some challenges, with financial constraints and material costs continuing to hamper the market to a certain degree.

Construction Activity Index remains firmly in positive territory

The Construction Activity Index (CAI) remained upbeat at the regional aggregate level in Q1, posting a reading of +26 (largely unchanged from last quarter). Moreover, this marks the 13th consecutive quarter in which the headline index has returned a positive value. Whilst the CAI reading across the region remains comfortably above the global average, there has been a slight convergence this quarter, as the global figure rose to +15 from +10.

Looking on a country basis (Chart 1), Saudi Arabia continues to dominate the MEA construction landscape, posting a CAI reading of +72 (just marginally down from last quarter's +76). Although South Africa posted a large increase in its CAI last quarter, the results for this quarter show a fall from +15 to -2 with many comments from respondents referencing the forthcoming election as a reason for caution. Also on the weaker end of the scale, Qatar has recorded an eleventh successive negative reading with the Q1 figure sitting at -17; related to this there has been a notable rise in payment delays cited reflecting the deepening pain in the industry. Elsewhere, the UAE and Nigeria continue to post firmly positive readings, while Mauritius, Oman and Bahrain also display CAI figures in expansionary territory to a greater or lesser degree.

Current workloads and twelve-month expectations remain firm

Chart 2 displays the current workloads net balance at a sector level. The Q1 feedback signals that construction activity rose across the board, with private residential in particular seeing a strong uplift. Looking ahead, the outlook for infrastructure over the coming twelve months remains especially buoyant (net balance +53%). Alongside this, whilst private non-residential workloads only saw a moderately positive trend for Q1 (net balance +9%), twelve-month expectations show the sector is anticipated to gain significant traction going forward, as evidenced by the +39% net balance reading.

When looking at current impediments to construction activity (Chart 3), financial constraints continue to be the most widely cited barrier, with 79% of respondents singling out this factor as an industry headwind. Similarly, the cost of materials is referenced by an almost equal share of survey participants as having a negative influence on activity. That said, the proportion of respondents highlighting material shortages to be an issue fell from 49% last quarter to 42% in Q1.

Alongside this, MEA as a whole continues to display the lowest share of respondents reporting problems with labour and skills shortages. However, the picture is very different in Saudi Arabia, given the sheer pace of output growth, as 77% of contributors based in the country have experienced both shortages in skilled professionals and general labour.

Chart 1 - Construction Activity Index by Country

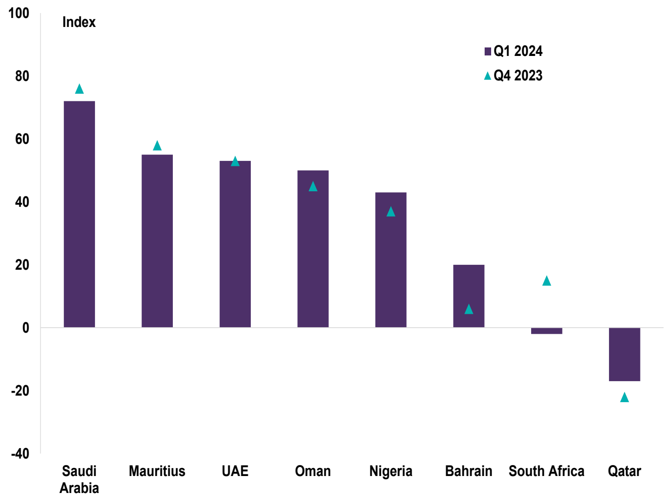


Chart 2 - Current workloads and twelve-month expectations

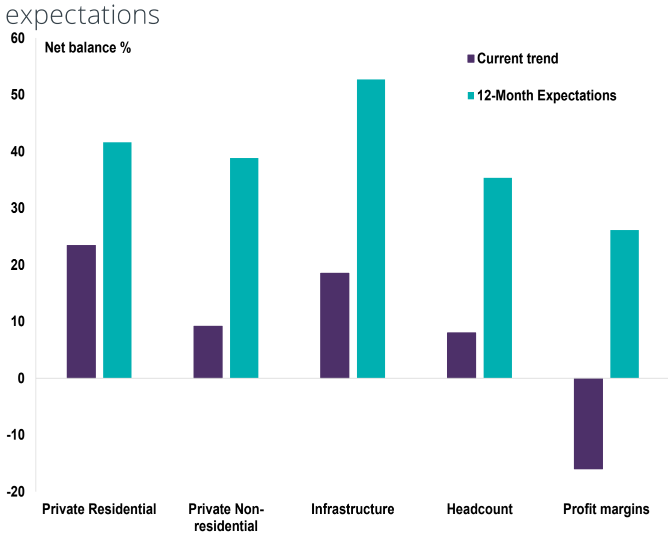
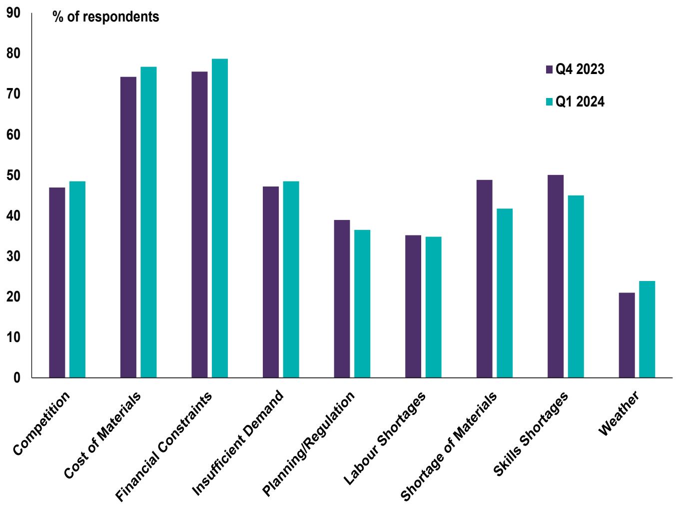


Chart 3 - Factors holding back activity



Regional comments from survey participants in MEA

Bahrain

Client budget. - Manama

Major concern in our region is that more investors are required to start new projects. - Manama

Regional conflicts, Red Sea distribution, logistic price increase, lack of decision makers in public projects, delayed payment from client. - Tubli

Botswana

Underpricing of projects due to competition. - Gaborone

Botswana is having it's elections this year so there is an increase in government jobs coming in mid-year leading to elections in October. - Mochudi

Egypt

Inflation. - Cairo

Eswatini

Marked and continuing levels of corruption allied with poor government planning. - Mbabane

Ghana

Inflation particularly in Ghana. - Accra

Delay in paying contractors and escalating prices for most construction materials. - Kumasi

The construction market in Ghana is greatly affected by the performance of the Ghana cedis against the US dollar. In recent times, the cedi has depreciated considerably against the dollar leading to price hikes as the industry is majorly dependent on imports. - Tarkwa

Lebanon

Currently Lebanon is facing a very poor economy. We are failing to elect a new president for more than a year now and our existing political leaders are lacking the will to select/elect a president. This issue has a great influence, negatively, on our economy. Also, our bank system has failed to solve the financial problems facing the economy. - Brummana

Malawi

Shortage of work, clients not paying, corruption, lack of professionalism, unregistered/unqualified professionals etc. - Lilongwe

Maldives

Financing for the projects may impact negatively. - Male

Mauritius

Since we are a small island, most materials and labour have to be imported. - All Over The Island

There is lack of knowledgeable people and manpower over the island. - All Over The Island

Skills shortages at all level of operations, high level of competition from low key contractors and private client defaulting on payment. - Port Louis

8000 Nr social houses are to be completed by November 2024 which is currently taking a lot of resources, however after this we would probably have an excess of manual labour. - Quatre Bornes

Present general legislative election. - Rose Hill

The key repo rate. - Vacoas

Morocco

Late payments from customers. - Temara

Nigeria

Depreciation due largely to structural imbalance caused by currency devaluation. Impacting on cost of imports. - Festival Town Lagos.

Inflation. - Ikoyi

Hyperinflation due to highly unstable foreign exchange. - Ile-Ife

Increase in Dollar exchange rates to Naira. - Lagos

Inflation rate and low demand across board. - Lagos

Procurement and logistics are aspect that are also affecting the construction market. - Lagos

Procurement: The logistic involved in the procurement aspect of construction has risen more than envisaged. Meanwhile, some small contractors are running away from complete package projects transfering risk involved to the client by accepting Labor Only Contracts. - Lagos

Unstable market and unpredictable change in inflation rate. - Osogbo

Oman

Delayed payments to contractors. - Madeena Quaboos

New consultancy companies quoting with very low margins affecting international companies to safeguard their overhead margins. - Muscat

Small profit margins due to intense competition at the tendering stage. Companies relying on variation orders or EOT claims to recover delays and losses incurred in the projects. In some sectors payments against the work done are delayed from the client leading to delays in the projects. - Muscat

The Sultanate of Oman's construction industry has foreseen dramatic improvement post-Covid. The Government has implemented several large-scale projects (i.e., residential, township, infrastructure, industrial, etc.) partnering with the private sector globally and the governments of neighboring countries. This implies an improvement in demand for professionals, labour (skilled/unskilled), plants, and materials in the future. - Muscat

Qatar

Client/Employer putting on hold the award of new Contracts Year 2024. - Doha

Decrease in construction projects being awarded compared to recent years. - Doha

Delay in payments from client, unresolved claims, recovery from financial impact of COVID19. - Doha

Expansion of work in KSA has sucked the other markets. - Doha

Factors affecting the construction market in my area include regulatory changes, economic conditions, finance of mega projects, experience contractor for special projects, environmental concerns, technological advancements, market demand, natural disasters. - Doha

Fewer government projects is negatively affecting job availability and pay rate. - Doha

Lack of Government spending on significant Projects since FIFA 2022 has had a domino effect on the construction Industry in the State of Qatar. - Doha

Lack of new investments or government fundings. - Doha

Lack of projects. - Doha

Market bubble, extensive financing by banks. - Doha

More competitions with less demand. - Doha

Slow to very slow Government payments. - Doha

The idea is that work is squeezing in Qatar and the other factors are reacting according mentioned in the survey. - Doha

There are no more new projects on the market that leads to decrease of demand within the built environment. - Doha

Upon completion of FIFA 2022, the Govt.'s commitment for further investment in Infrastructure appears to have been reduced. In addition, the Govt has invested heavily in developing infrastructure needed for the Country before the event of FIFA 2022; this could be another reason why the Govt. is not so keen to commit more to infrastructure for this year. - Doha

Basic infrastructure in this country has been completed, therefore there will be very limited new mega project in next few years. - Lusail

In Qatar we don't have schedule of rate, no productivity chart, it is very difficult to compare since we don't have any standard to measure the productivity. - Lusail

Change of scope. - Ras Laffan

Saudi Arabia

Always have shortage of manpower. - Al Hofuf

Client behavior. - Al Khobar

Major skills shortages. - Dammam

RICS

Regional comments from survey participants in MEA

Some are not competent to do their jobs. Many of them lack proper planning skills and fail to engage in Front-End Loading (FEL) planning, which is essential for effective project management. It is crucial to invest time and effort in planning to ensure that projects are well-organized., resources are utilized efficiently, and potential risks are identified and mitigated. - Dammam

Shortage of skilled manpower. - Jubail

Heightened construction activity in KSA is impacting on the capacity of capable contractors to participate in bidding. - Neom

Developing entertainment facilities will be positively affected to improvement of the construction market in KSA. - Riyadh

Finding right calibre of staff. - Riyadh

KSA hot economy. - Riyadh

Lack of awareness of the importance of BIM in the construction industry, especially in the design phase prior to construction, leads to a negative impact regarding the cost estimate since the traditional methods can't disclose the potential issues during construction. High effort and using available technology like BIM during the design phase lead to improved efficiency in construction and reduced disputes after that, but unfortunately, this doesn't always happen. - Riyadh

Localization. - Riyadh

Operating in KSA is challenging for a number of reasons, one of them being the requirements for work permits. At the same time, construction in KSA is booming, providing good opportunities for future work. Working within the claims / dispute resolution sector, the recent introduction of the Civil Transaction Law in KSA is a welcome innovation that clarifies a number of issues under KSA law. Equally, we need to see a huge modernisation of dispute resolution processes. - Riyadh

Possible throttling back on certain giga projects. - Riyadh

Rising cost of diesel, steel and cement will affect unit rates. - Riyadh

Shortage of skilled manpower. - Riyadh

Speed of procurement and requirements for sustainability accreditations. - Riyadh

The signficant shift of trades from nearby GCC due to the volume of work contributes the increase of non oil exports of KSA. - Riyadh

Unavailability of professional local contractors with skilled labor. - Riyadh

Use of local content, that is Jan 2024 legislation to incentivise use of national resources. - Riyadh

South Africa

Electrical outages and weak exchange rate. - Cape Town

Government red tape creating more work and delaying projects. - Cape Town

The uncertainty arising from the forthcoming election is causing hesitancy on the part of investors and developers. - Cape Town

The up coming elections will impact the construction market as the public including workers would demand service delivery including more infrastructure and better quality services such as water, sewer, electricity. South Africans have had bad service from both local and national government and strike action and an increase in crime is likely should the national party win the election again. Rising fuel costs and inflation costs will drive both material costs and labour. - Cape Town

Construction mafia. - Durban

Prime interest rate on funding is expected to reduce off a current high, leading to improved activity expectations. - Durban

Non awarding of tenders from public sector for consultants. Also awarding of construction tenders take more than the 90 days validity period and in some cases do not get awarded at all. - East London

Construction mafia. - Johannesburg

Corruption and incompetence. - Johannesburg

Elections in May 2024 affecting infrastructure project go-ahead decisions. - Johannesburg

Energy component prices have been dropping. - Johannesburg South Africa

Funding for projects is challenging. Smaller pool of competent contractors. - Johannesburg

Imminent elections creating an atmosphere of indecision. - Johannesburg

Insufficient Electricity Supply. - Johannesburg

Lack of demand, leading to less contract opportunities, lower margins in tenders. - Johannesburg

Looking at governmental and local government appointments these appear to have slowed down. This maybe related to the government elections coming on the 29th May. - Johannesburg

Political, inflation, cost of living. - Johannesburg

Professional fee discounts increase. - Johannesburg

The Construction industry has slowed down due to non-expenditure by the government on infrastructure. - Johannesburg

The cost of material. - Johannesburg

The general election is causing uncertainly and slowing demand in the industry generally. - Johannesburg

Upcoming national election, possible change in government/ruling party. - Johannesburg

2024 Elections. - Pietermaritzburg

Large scale corruption in the public sector and construction mafia demanding a portion of the works on public and private projects is negatively effecting the construction market in South Africa. - Pretoria

Slow public sector works delivery. - Pretoria

The policy of Black Empowerment is a major stumbling block. The construction "mafia" in South Africa is a reality. The effect is negative and financially crippling. - Pretoria

The South African construction market is seeing a slowdown as clients and tenants postpone projects until after the upcoming elections. This uncertainty reflects concerns about potential policy changes, leading to a temporary lull in the industry. - Pretoria

Political influence and conditions have a negative effect on construction. - Rustenburg

Upcoming elections in May 2024. - Thabazimbi

Commodity prices (especially Platinum PGM's) declined and a lot of platinum related projects were put on hold. - Woodmead

United Arab Emirates

Abu Dhabi government vision 2040 to double the population and treble the GDP. - Abu Dhabi

Appears to be a slowing down of all market sectors. - Abu Dhabi

KSA is attracting talent and resources. Better remuneration packages. - Abu Dhabi

Middle East construction remains very busy. - Abu Dhabi

The market is witnessing a positive outlook, and it will take some time before it could take off. - Abu Dhabi, Dubai And Sharjah

Construction boom in neighboring country (Saudi Arabia). - Dubai

I would like to inform you that our company has been facing some challenges over the past three months. We are experiencing a shortage of both skilled and unskilled labor in the UAE. Additionally, the cost of construction materials has increased, which has made it difficult for us to complete our projects on time and within budget. As a result, we are currently facing issues with construction all over the UAE. We estimate that the cost of construction and overheads will increase - Dubai

Insufficient skilled labours and competition. - Dubai

KSA opportunities. - Dubai

More competitor in the market, and proposed less people object. - Dubai

New visa rules improved real estate. - Dubai

Regional comments from survey participants in MEA

Shortage in tier 1 international contractors. - Dubai

Shortage of grade A contractors. - Dubai

Shortage of skilled people as many skilled employees moved to KSA. - Dubai

Skilled professionals. - Dubai

The country's government is focusing on smart cities and planning to digitise, which may uncover the skill shortage in technological advancements like Building Information Modelling (BIM). - Dubai

The ongoing growth of KSA is having a positive impact on the UAE due to synergy. - Dubai

Unrealistic demand for completion of project. - Dubai

Zambia

Following the recent debt restructuring agreement with bond holders, there is a great expectation of improved economic performance and associated increased workload in the build environment sector. - Lusaka

The delayed country's debt restructuring has led to demand stagnation. - Lusaka

Zimbabwe

Change of currency and policy irregularities. - Harare

Highly volatile national currency (Hyperinflation), my responses above based on USD. Uncertainty regarding accessing credit. Sanctions. - Harare

Overall the economy of our country is not performing well because of the rigged general election. As a result, investors are shunning us. There are no new investors, most projects are on stand still. Most companies are pulling out of the country and electricity is a challenge to most industries. Most companies which are still around have adopted a wait and see attitude. The labour force is not employed and most of them have repatriated to neighboring countries to seek greener pastures. - Harare

Unstable country economic policies. - Harare

North America: Further broad-based improvement in sentiment

The Q1 GCM results for North America (conducted in conjunction with AACE in the USA and CIQS in Canada) point to a further improvement in confidence. This is despite expectations around an easing in credit conditions diminishing somewhat over the period, as signalled by recent comments from the Federal Reserve. Chart 1 showcases the the uplift in sentiment, drawing on the headline Construction Activity Index (CAI). In the case of the USA, this measure now stands at +40 which is its best reading since the early part of 2022. For Canada, the result was a little less striking, but a CAI of +24 is still indicative of a strengthening tone to the feedback received from respondents.

Workloads begin to pick-up beyond infrastructure

A strong theme in recent iterations of the North American results has been the resilience of the infrastructure sector and its role in driving construction activity more generally. Interestingly, there are now increasing signs that a positive trend is developing across the wider industry, with both residential and commercial workloads picking up to a greater or lesser extent. Indeed, as Chart 2 demonstrates, this trend is viewed as likely to gather steam through the course of this year and into 2025. It is also reflected in the firmer numbers for new business enquiries. It is interesting that this improving picture is manifesting itself even as feedback around credit conditions stagnates. For the record, both in Canada and the US, the latest numbers for this metric point (in net balance terms) to a slight deterioration compared with final three months of last year, with little change anticipated through the current quarter. That said, there is still a perception that the credit environment will become more accomodatiing as the year wears on.

Greater confidence in the profits outlook

In keeping with the more upbeat mood around activity, there is also a sense from contributors to the survey that the profits cycle is bottoming out and that the numbers will improve over the next twelve months. As it happens, the US data shows a net balance of +14% of respondents suggesting that margins are already begining to widen; this the first time there has been a positive result for this indicator since the back end of 2022 (when it was +4%) and represents the strongest number since the first three months of that year. Meanwhile looking ahead, net balances of +33% and +21% are projecting a further uplift in profitability in the US and Canada respectively.

Skill shortages remain a major challenge

It is not a novel theme but, unsurprisingly, skill shortages are the most cited challenge facing the construction industry in both countries (Chart 3). And, as previously was the case, it is in the area of skilled trades where the issue is particularly pertinent. Alongside this, respondents also continue to cite difficulties around sourcing quantity surveying type skills as well as project managers. Reflecting this, the insights provided through the survey indicate that a key factor supporting higher construction costs over the next year will be the rising wages to capture these skills. The potential problems around recruitment are likely to become more intense as the recovery gains traction. In the US, a net balance of +50% of contributors anticipate a rise in headcount over the next year, while, for Canada, the latest result is +27%.

Chart 1 - Construction Activity Index

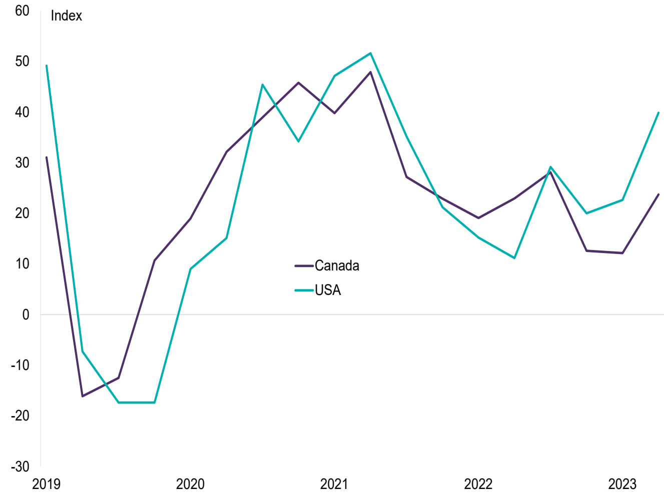


Chart 2 - Workloads

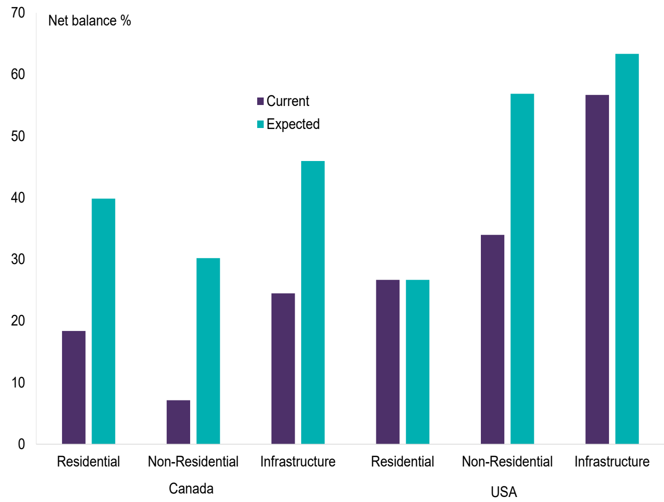
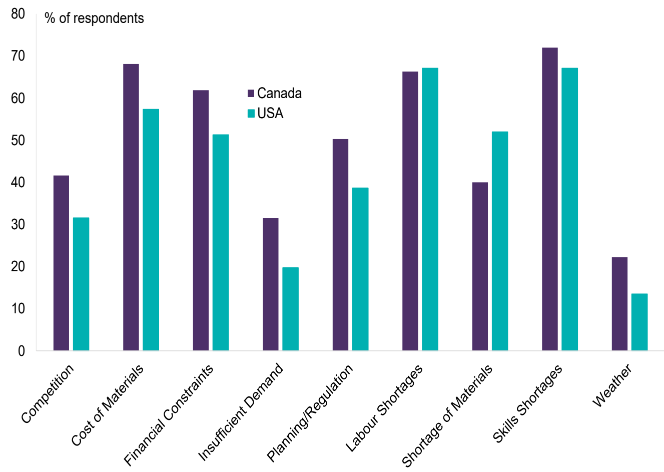


Chart 3 - Skill Shortages Still Major Obstacle to Activity



Regional comments from survey participants in the Americas

Bahamas

Inflation, supply chain delays , shortage of skilled labour and increase in imported and skilled talent - New Providence

Brazil

Legal uncertainty and government interference - Brasilia

ILabor availability is severely impacting contract performance - Campo Grande

Canada

Slow approval and response from municipalities delaying projects for several years. Increases in regulations causes increased costs and lower profit margins. New laws affecting buyers like Airbnb bans and property flipping taxes have halted pre-sales meaning we can't start construction on projects which is preventing hundreds of additional units coming to the market - Abbotsford

Material rate and skilled labourer shortage - Calgary

Huge influx of people, housing shortages - a lot of residential construction. City and Province have implemented programs in tandem with CMHC - Calgary

Most impactful is the shortage of skilled workers, which results in subcontractors being very selective in work they are pursuing; this ultimately results in a much smaller pool of trade partners a general contractor can collaborate with, hence a much higher construction cost than what could be in a more competitive market - Calgary

The prevailing market condition is subject to availability of resources such as skilled/unskilled labor, sourcing of materials and delivery to various sites - Calgary

Huge housing and rental demand, population growth and rates rising - Calgary

Housing demand is outpacing the supply significantly - Edmonton

Lack of skilled trades - Gatineau

High Interest Rates. Manpower shortfall - Halifax

Large infrastructure projects being stalled - Halifax

Interest rates for developers - Halifax

Interest rates increases from 2023 will start to impact private sector investment - Kingsville

Inflation and interest rates- Laval

Deadlines for obtaining city permits, Ministry of Environment authorization, Hydro-Quebec connection - Laval

Collusion amongst trades thereby driving prices up - Mississauga

Project financing has increased, and approval times are too long - Montreal

Government overspending, extra tax, high interest rate affecting the construction market - North York

Volume of work within the market - Ottawa

Transportation - St Johns

High interest rates are preventing developers from breaking ground on residential projects. Low pre-sales from our clients - Toronto

High cost of transportation and city permits - Toronto

High volume of work could impact supply chain availability and tender prices - Toronto

Shortage of skilled labor with many major transit projects online - Toronto

Skills shortage - Vancouver

Some projects have been postponed or shelved because of elevated construction costs, wavering demand, and unstable market conditions - Vancouver

New code, net zero etc drive cost up - Vancouver

Shortage of skilled labour - Victoria

General lack of experience and planning. Rushing to construction = increased costing - Winnipeg

Cayman Islands

Government Building Control and Planning Department significant delays - George Town

Shipping and fuel costs are rising which puts a strain on material costs - George Town

Peru

Corruption problems, price fixing by contractors - Lima

Trinidad and Tobago

Politics has destroyed our construction industry and the way our professionals deliver - Scarborough

United States

Long lead times and problems obtaining quotations from vendors. Some equipment vendors are now charging $500 to provide a quotation for their equipment - Boston

Government policy, infrastructure investment, permitting, credits - Houston

Government spending still high (election year) - Houston

Credit market and financing - Houston

This is just a theory, but I believe future concerns will be dealing with the upcoming digital currency and the potential federal controls it could have on spending. We have been required to reduce and deter our budgets for this fiscal year through FY 2028. Many infrastructure construction projects, which have been planned for many months, are being delayed for years, just out of the blue. Our local government has required this, and only vague reasons were given as to why - Jacksonville

Inflation and government interference in the free market - Long Island

We seem to be stabilizing, after 3 years of rapid escalation in costs - Los Angeles

US process industry is in a boom. High demand, limited resources of all types - Morris Plains

Public funds will run out - Murrieta

The US market is strong, in my opinion. Interest rates are high, the labor market is tight, and costs are up across the board. However, it seems interest rates have stabilized, and inflation seems under control. We have learned to tolerate volatile markets, but they seem ready to stabilize a bit this year - Philadelphia

Overregulation - Pine Grove

People, people, people - Plaistow

Chips Act, Infrastructure Act - Prtland

AI technology making significant impacts in certain areas of the industry such as automation, robotics, digital twins, data anslysis, etc - Roanoke

Tight labor conditions - San Diego

A lot of office space available which drives down the demand of new office construction - San Jose

Global Construction Monitor

RICS' Global Construction Monitor is a quarterly guide to the trends in the construction and infrastructure markets. The report is available from the RICS website www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the rural land market.

Methodology

Questionnaires were sent out on 13 March 2024 with responses received until 20 April 2024. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 2770 company responses were received globally.

Net balance = Proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100. A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline.

RICS Construction Activity Index is constructed by taking an unweighted average of current and 12-month expectations of four series: residential workloads, non-residential workloads, infrastructure workloads and profit margins. Global and regional series are weighted using the World Bank's GDP PPP (2017 constant prices) data series. Current responses were weighted using the prior years GDP (e.g. the 2020 responses were weighted using 2019 GDP data). Where responses are not sufficient to form a national-level sample, they are binned together to fill in any gaps in regional coverage.

Disclaimer

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Canadian Institute of Quantity Surveyors | Institut canadien des économistes en construction

PICQS

Consejo General de la Arquitectura Técnica de España

AACE International

Delivering confidence

We are RICS. Everything we do is designed to effect positive change in the built and natural environments. Through our respected global standards, leading professional progression and our trusted data and insight, we promote and enforce the highest professional standards in the development and management of land, real estate, construction and infrastructure. Our work with others provides a foundation for confident markets, pioneers better places to live and work and is a force for positive social impact.

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