ECONOMICS

Global Construction Monitor

Q4 2022

ECONOMICS

Global Construction Activity Index picks up slightly, supported by solid infrastructure workloads

- Global Construction Activity Index improves slightly, but continues to portray only modest momentum overall
- Infrastructure still the firmest growing sector, while private residential output drops
- Market conditions appear strongest across MEA on a regional comparison, while feedback is flatter in Europe and APAC

The Q4 2022 Global Construction Monitor results are indicative of a slight pick-up in global activity over the quarter, even if momentum remains much more modest compared to the picture seen twelve months ago. On closer inspection, the headline improvement in the Global Construction Activity Index (from +3 to +8) was almost entirely driven by the infrastructure component, with workloads accelerating during Q4. By way of contrast, output now appears to be falling within the private residential segment, with higher interest rates negatively impacting buyer demand and leading to a period of adjustment for the sector

MEA now exhibits the strongest Construction Activity Index reading on a regional comparison

Displayed on Chart 1, the Middle East and Africa returned the strongest CAI reading relative to all other world regions during Q4, with the headline index edging up to +25 from +20 previously. Within this, the latest feedback points to a solid quarterly improvement in headline workloads across the region. Conversely, despite moving up from -10 to -2, the latest CAI in Europe is consistent with a more or less stagnant overall trend in output. Meanwhile, across APAC, the latest CAI reading of +7 (an increase on -1 posted last time), signals a marginal pick-up in momentum throughout the construction industry this quarter.

Lastly, although construction activity continues to rise across the Americas, the CAI (currently sitting at +13) has moderated in each of the last three reports, down from a recent high of +38 in Q1 2022.

When disaggregated at the country level, Saudi Arabia and Nigeria display amongst the strongest CAI readings relative to all other countries covered. Likewise, the UAE and India also exhibit firmly positive returns for the headline activity measure. At the weaker end of the scale, the Netherlands, Sri Lanka, Germany and Spain all returned comfortably negative CAI figures in the latest results, consistent with a decline in headline output during Q4 (full country breakdown shown on Chart 3).

Infrastructure still leads in terms of current workload growth and twelve-month expectations

Both at the global level and across all world regions, infrastructure continues to lead the way with respect to current growth in workloads. At the global level, the Q4 net balance of +23% is up from a reading of +14% beforehand, with a similarly positive picture for output growth reported in MEA (+27%) , APAC (+27%), the Americas (+24%) and Europe (+16%). Looking ahead, expectations for infrastructure output remain upbeat across the board, led by especially robust twelve-month readings in APAC, MEA and the Americas (Chart 2).

Chart 1 - Construction Activity Index by Region

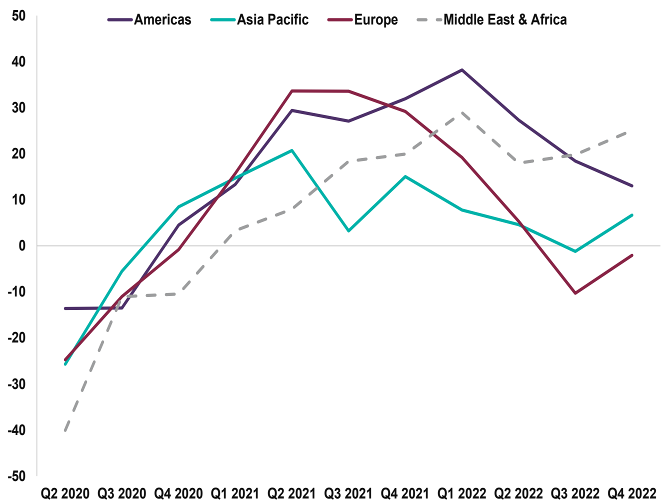
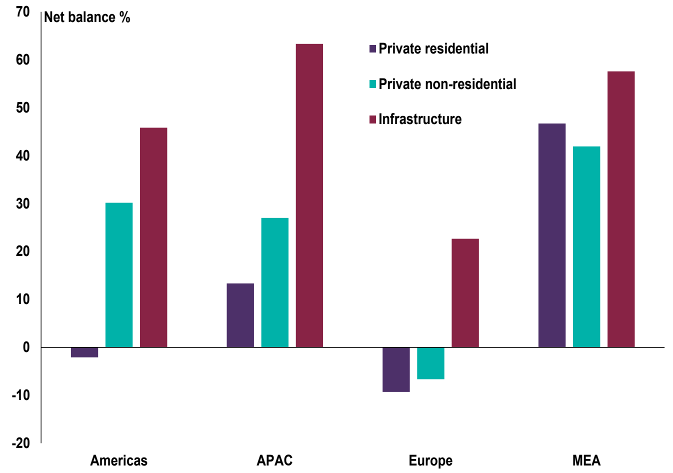


Chart 2 - 12-Month Workload Expectations by Sector



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

Conversely, recent quarters have seen a sharp loss of impetus across the private residential sector, with respondents citing a decline in housing construction activity across all regions except MEA. The turnaround is most striking in Europe and the Americas, where solid growth in residential workloads two-three quarters ago has since given way to a drop in output across the sector. Looking ahead, expectations for residential construction workloads slipped a little deeper into negative territory within Europe (net balance -9%), while the outlook is flat to marginally negative across the Americas (net balance -2%). Nevertheless, respondents based in APAC and MEA foresee residential workloads rising to some degree over the year ahead (again illustrated in Chart 2).

For the private non-residential sector, there is a noticeable contrast between relatively stagnant development activity trends being cited for the Q4 period and a more optimistic outlook for the year to come. Indeed, private non-residential workloads are envisaged rising across MEA, APAC and the Americas over the next twelve months, with expectations being upgraded in each case over the quarter. That said, respondents are less optimistic in Europe, where private commercial construction work is seen flatlining at best.

Cost of materials still seen as the most dominant hindrance for the industry

At the global level, 83% of survey participants cited the cost of materials to be a factor holding back activity across the industry at present (Chart 4). Even though the share of respondents reporting such issues has fallen slightly in each of the last three reports (from a high of 91% back in Q1), material costs clearly remain a significant impediment. Similarly, close to two-thirds of contributors see financial constraints and skills/labour shortages as a barrier to activity. Interestingly, although a majority of respondents continue to report that material shortages are holding back the market, the share taking this view has eased quite noticeably in recent quarters. Indeed, back in Q2 2022, 74% of respondents were highlighting problems accessing materials. The subsequent moderating in this proportion to 56% in the Q4 feedback perhaps offers early signs that supply chain pressures are now fading to some degree.

Chart 3 - Construction Activity Index by Country

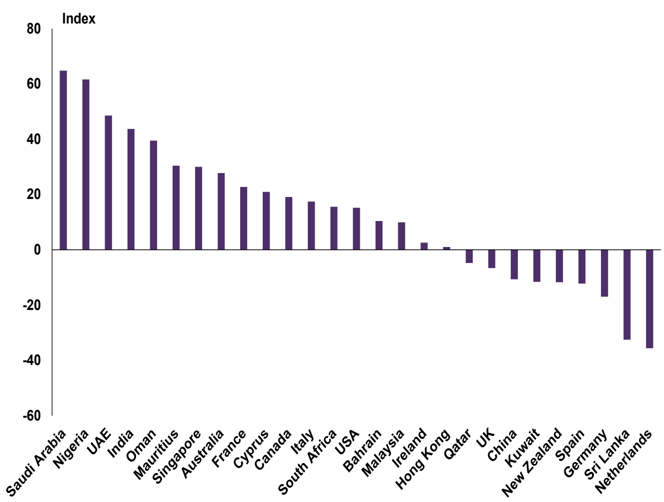
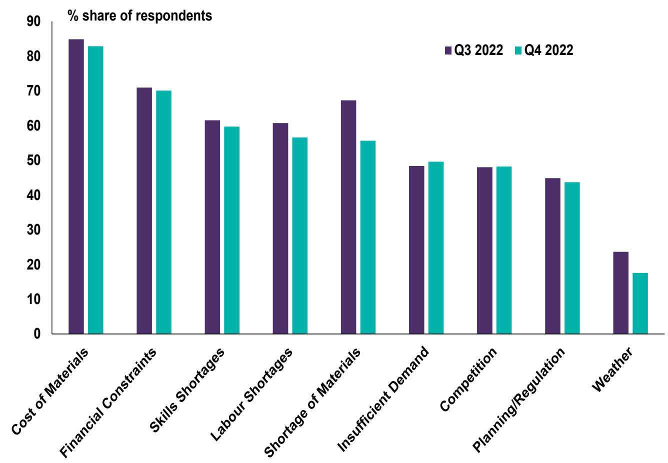


Chart 4 - Factors Limiting Construction Activity



Employment levels expected to rise modestly over the year ahead

On a worldwide aggregate view, twelve-month expectations for headcounts across the construction industry are modestly positive, with the Q4 net balance coming in at +18% (little changed on +15% previously). At the country level, respondents within Saudi Arabia continue to anticipate robust employment growth over the year ahead, while expectations are also firmly positive in markets such as Australia, India, the UAE and Nigeria. At the other end of the spectrum, respondents in Germany, Spain, Sri Lanka and Kuwait foresee a slight drop in headcounts over the year to come, in keeping with the negative CAI readings posted in each nation during Q4.

Material and labour cost projections remain elevated, but a little less so than previously

Chart 6 on the following page shows how twelve-month projections for total construction costs have evolved over time (broken down by world region). Although still elevated, projections for construction costs inflation have been trimmed somewhat in most parts of the world relative to the feedback received earlier in 2022. Looking into the details, this is a result of forecasts for material price inflation being scaled back slightly, with the global average estimate coming in at 7%, down from a 7.5% and 8% expected back in Q3 and Q2 respectively. Meanwhile, projections for skilled labour costs have not been revised down, with respondents at the global level still anticipating such costs will increase by 6% over the year ahead. That said, unskilled labour costs are not expected to rise quite as sharply as previously envisaged, as contributors now foresee a 4% increase rather than the 5% pencilled in last quarter.

On the back of this, the outlook for profit margins turned marginally positive at the worldwide level in the latest results, evidenced by a net balance of +8% of respondents expecting some degree of improvement (up from a reading of -6% in Q3). Nevertheless, Europe as a whole still returned negative expectations for profit margins, albeit the latest net balance of -19% is slightly less downbeat than -29% last time. For all other world regions meanwhile, profit margins are expected to widen, with expectations most upbeat in MEA (where the net balance sits at +29%).

Chart 5 - Industry headcount trends by country

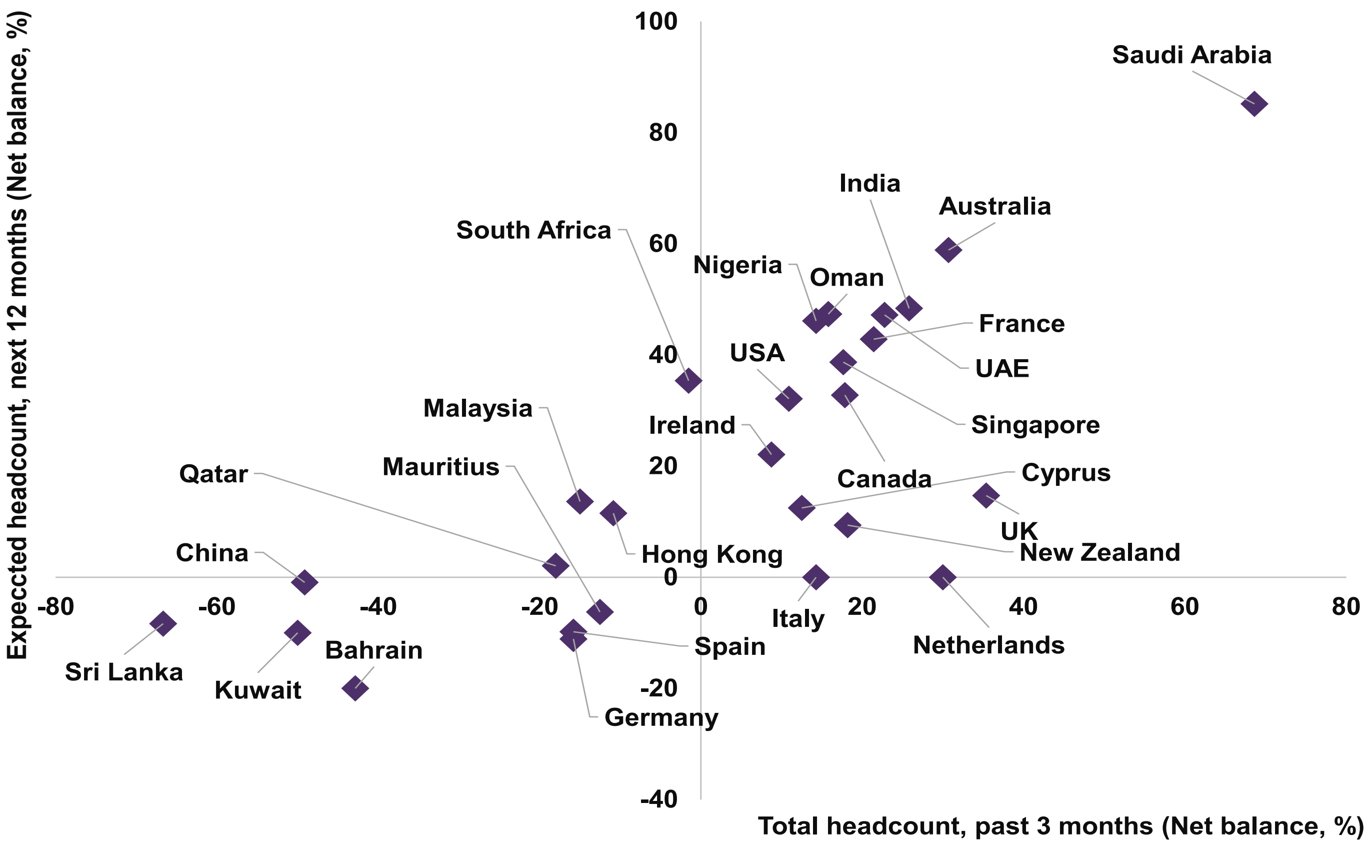
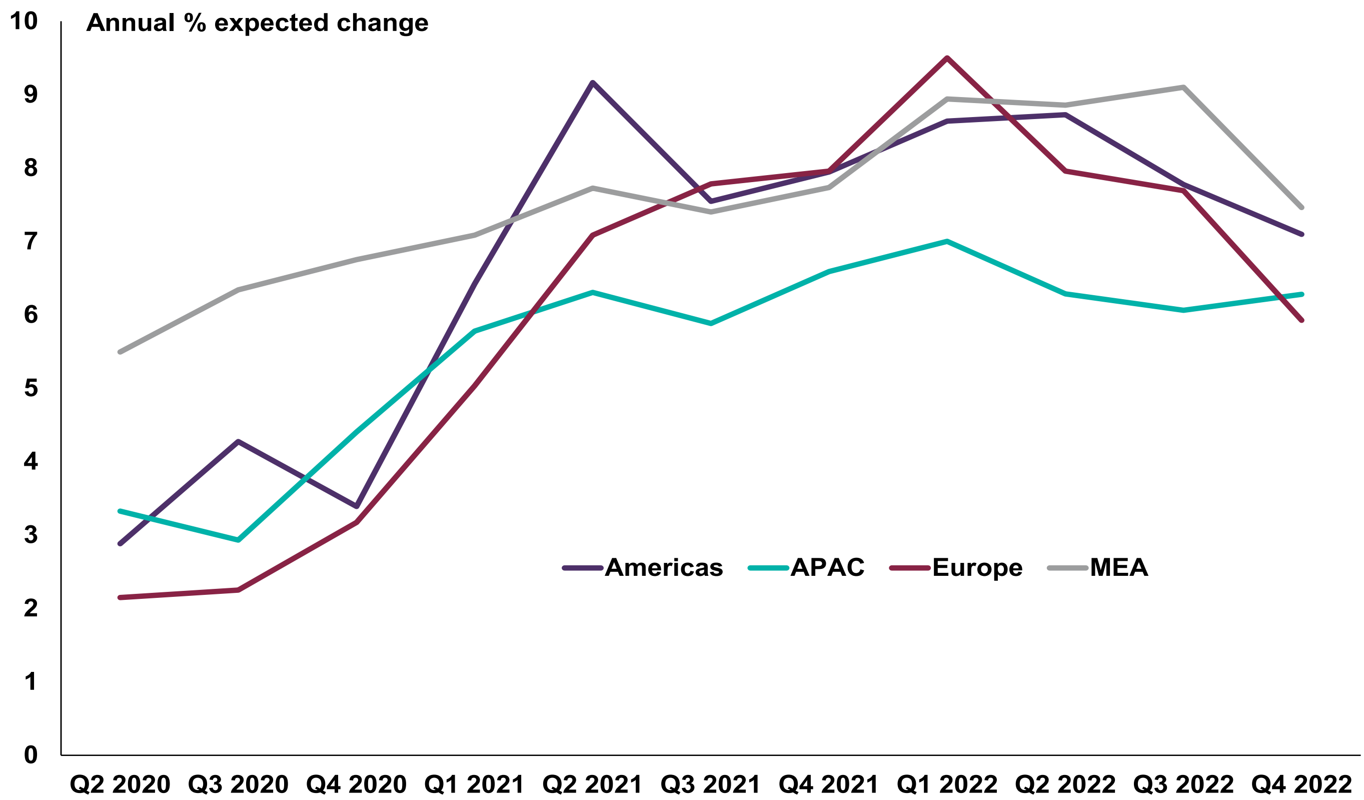


Chart 6 - Twelve-month total construction cost projections by region



APAC: Headline Construction Activity Index sees modest gain although the picture is mixed at the country level

The Q4 2022 GCM results for APAC show construction activity picked up slightly in aggregate, with the headline Construction Activity Index (CAI) improving modestly from -1 to +7. That said, macro headwinds continue to weigh on the construction industry. High inflation, particularly the rising cost of materials, is visible in most APAC economies, while tighter monetary policy is adding to the burden of financial constraints in some nations.

Mixed picture at the country level

As is illustrated in Chart 1, the headline CAI readings for India and Singapore remain firm, with moderate easing compared to Q3 (+53 to +44 and +31 to +30 respectively). Meanwhile, the CAI picked up in Australia, rising from +16 to +28. Conversely, New Zealand registered a noticeably more negative reading at -12, down from +19 in Q3. Malaysia's reading edged slightly higher from +4 to +10 during Q4. For China (-11) and in Hong Kong (-1), the potential impact of the reopening from Covid restrictions has yet to be reflected in survey feedback on current conditions to any significant degree, resulting in similar CAI readings to those in Q3. Lastly, Sri Lanka remains especially downbeat, albeit with a slightly less negative reading at -33 compared to -55.

Infrastructure the main driver of APAC markets

Generally, the infrastructure workloads metric outperforms the other two sectors across the region as is captured by Chart 2. This is the case in almost all markets, most notably in India (+74%) and Australia (+64%). For Hong Kong and New Zealand, both markets show positive figures regarding infrastructure workloads (+29% and +31%), but returned negative readings for the other sectors. Meanwhile, the infrastructure workloads indicator for China remained in the neutral zone (+2% to -1%) while the readings for the other two sectors dropped deeper into negative territory (for example, the reading for private non-residential sector decreased from -44% to -65%).

Falling workloads are being reported across the private residential and commercial sectors in around half of the markets covered throughout the region. Significantly, the current softness is also evident in market expectations across New Zealand, where net balances of -62% and -21% respectively see output falling within the private residential and non-residential sectors over the next twelve months. Conversely, for China, 12-month workloads expectations for the two sectors are now positive, pointing perhaps to an expected boost from the post-Covid recovery.

Material costs and financial constraints still the main hurdles at the aggregate level

As inflationary pressures mount, a large majority of the respondents continue to view the cost of materials as one of the key factors holding back construction activity in all 8 markets (all readings above 75%) as is illustrated in Chart 3. However, specific issues emerge in different markets. In Australia, the most-cited factors are instead a shortage of labour and skills, both posting shares of 93% in the Q4 results. Meanwhile, insufficient demand is flagged by 90% of the respondents in China, with financial constraints also proving a barrier for the market.

Chart 1 - Construction Activity Index by country

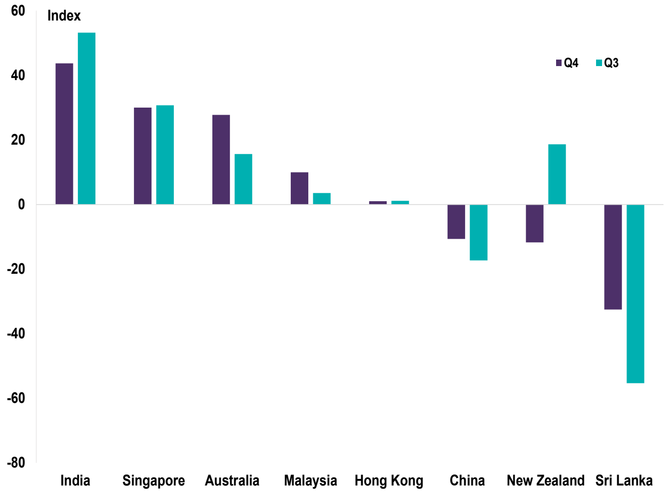


Chart 2 - Current Workloads by Sector

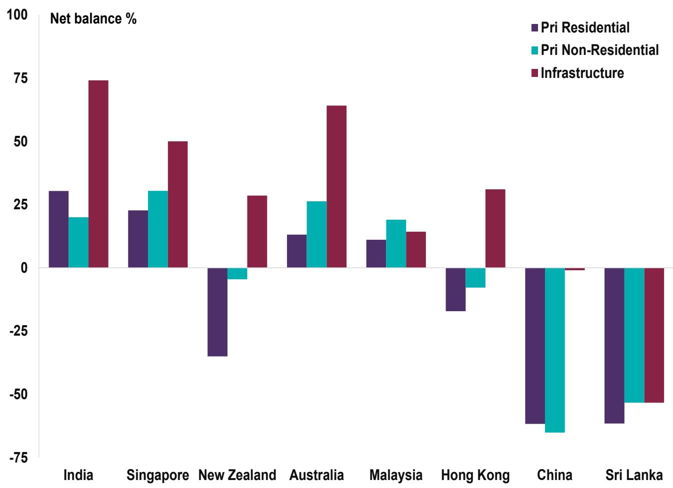


Chart 3 - Key Factors Holding Back Activity across APAC

Regional comments from survey participants in APAC

Australia

Small pool of contractors; lack of resources in Engineering; suppliers unwilling to hold prices. - Adelaide

Shortages of materials and skilled personnel, cost escalation. - Brisbane

Not enough contractors that wants to do a project, then there is no competition. - Brisbane

Increased cost of materials, shortage of skilled labour, militant Industrial Relations. - Gold Coast

High demand for quality Sub-contractors, making procurement of SC market competitive rates difficult. - Melbourne

Consistency in projecting costs is a concern. - Melbourne

Shortage of labour & impacts in terms of time & cost due to overseas material & goods transportation. - Melbourne

Huge shortages in labour market and material prices on the increase. - Perth

Bank interest rates and demand. - Sydney

Most of the tenderers don't accept tendering due to full book of works to mid-2023. - Sydney

Cost of materials and skilled labour shortage. - Sydney

Falling demand in major infrastructure projects. - Sydney

Limited number of Tier 1 contractors to undertake major projects & lack of skilled tradespersons. - Sydney

Brunei

Materials and manpower shortages are crucial to the construction Industry. - Bandar Seri Begawan

China

Strong impact (negative) from the macroeconomy. - Beijing

Reduced population dampens the demand for residential projects. - Beijing

Investments from the government and social investors are decreasing. - Beijing

Government's management and investment need to increase in the construction industry. - Beijing

Harsh regulation and stringent requirements for the environment of construction sites highly impacted the market. - Beijing

Less demand and increased cost on construction for developers. - Hefei

Improvements in the government's procurement and management of construction permit. - Guangzhou

Less demand, insufficient funds, late payment and less profitability have strong impact on the construction industry. - Guangzhou

Lack of skilled labour, increased material cost and insufficient funds. - Kunming

Organisational and professional skills need improvement to be competitive. - Shenyang

Hong Kong

Skilled staff in dealing with digitalization works are inadequate. - Hong Kong

The shortage of both skilled and non-skilled labour will be the biggest problem in local industry. - Hong Kong

Migration causing lack of experienced surveyor and skilled labour. - Hong Kong

Low motivation of medium to small scale developer to improve business and operation approach. - Hong Kong

Economic forecast will 2023 drive new tenants to consider larger lease areas. - Hong Kong

Shortage on both professions (engineer, quantity surveyor) and skilled labours. - Hong Kong

India

Post COVID rates have gone up and skilled engineers are inclined to change jobs frequently to cover. - Bangalore

Approvals delays from local govt. departments. - Bangalore

Lack of trained manpower with BIM skill sets. - Bangalore

Inconsistency in market trends like strikes, elections etc increased material costs. - Bangalore

Political situation badly affecting the growth of TamilNadu. - Chennai

Government clearance and financial interest hike. - Chennai

Public (Government funded) projects have least or no monitoring from the authorities. No timelines. - Chennai

Mindset of the public in response to Government development schemes must improve positively. - Chennai

Basic cost and taxes, skilled labour availability, lack in new technology adoption. - Chennai

Shortage of skilled work force. - Delhi

Environmental pollution related curbs on construction. - Ghaziabad

Bans on construction due to excessive pollution. - Gurugram

Skill sets are the key concerns across the hierarchy for implementation of Safety & Sustainability. - Hyderabad

Very low demand due to WFH culture. - Hyderabad

Cost of construction and requirement in market. - Mohali

Delay in placing orders and then demanding shorter and tight timelines by client. - Mumbai

Increase in inflation and increase rate of interest on borrowing may reduce the demand in the market. - Mumbai

High cost of Fuel, Materials (specially Rebar), lack of experience in complex projects. - Mumbai

Lack of financial capability to invest, delaying in payments due to long approval channel. - New Delhi

There are not margins to meet sustainability (ESG) requirement. - Noida

High material cost, Higher attrition rate. - Pune

Hike in material and construction cost. - Thoothukudi

Contractor deliberately reducing the pace of work to make more profit. - Vadodra

most of the activities are market instability. No proper implementation. - Vizianagaram

Indonesia

Lack of succession due to lack of expats resolve to commit long-term. - Jakarta

Too many "computer jockeys" in planning, scheduling and cost estimating/budgeting with no field exp. - Jakarta

Japan

Labour shortage and aging population. - Tokyo

Malaysia

Foreign labour shortage. - Penang

Materials getting highly expensive. - Kota Kinabalu

No specific standards or policies in place either at governmental or company level. - Kuala Lumpur

Unstable political condition causing project budget reduced after award of construction works. - Kuching

New Zealand

Lack of suitable candidates, particularly graduates, university not providing adequate training. - Auckland

High demand for social affordable housing, lack of workforce, high building material costs. - Auckland

Capacity constraints likely to ease due to inflation and rising interest rates. - Christchurch

High inflation, resource scarcity, supply chain issues. - Queenstown

Singapore

Positive outlook but headwinds of geopolitical issues, high inflation & rising interest rates. - Singapore

Pay for consultants (QS): Consultancy fees (% of project cost) remains/reduce, while scope increases. - Singapore

Vietnam

Curb on real estate related loans by the central government. - Nha Trang

Europe: Private residential construction activity continues to fall while infrastructure proves more resilient

The Q4 2022 GCM results for Europe point to a broadly flat picture in terms of headline activity, albeit trends vary at the sector level. Bucking the more stagnant broader narrative, the infrastructure sector continues to see solid growth in output, with expectations suggesting this will continue over the year ahead. By way of contrast, respondents continue to cite a decline in private residential construction activity, as higher interest rates place further pressure on demand across the sector.

Construction Activity Index moves into neutral territory

At the pan-European level, the CAI registered a reading of -2 in Q4, a slight improvement on a figure of -10 posted last time. As such, this measure is now signalling a more or less flat picture for total output, rather than a downward trend depicted back in Q3. That said, when disaggregated by country (displayed on Chart 1), nations such as the UK, Spain, Germany and the Netherlands returned more downbeat CAI readings compared to the regional average. Driving this, respondents cited either a flat or negative trend across both the private residential and non-residential sectors in each country during Q4. At the other end of the spectrum, Italy and France both exhibit positive readings for the headline CAI, with workloads reported to have improved, to a greater or lesser degree, across all sectors during Q4.

Infrastructure activity expected to rise while private residential and commercial struggle for momentum

Chart 2 illustrates twelve-month workload expectations (at the aggregate level) across the three broad sectors covered by the Monitor. Leading the way going forward, infrastructure activity is seen picking up, with respondents upgrading their projections relative to the previous iteration of the survey. What's more, infrastructure is expected to prove the strongest area of growth over the next twelve months (in net balance terms) across all European nations covered.

Meanwhile, private residential workloads are anticipated to fall in the coming year at the regional level. Indeed, the latest net balance slipped to -9% from -5% beforehand, thereby marking the weakest reading for this indicator since the survey's inception three years ago. Alongside this, the outlook is also negative when it comes to private non-residential/commercial workloads, posting a net balance of -7% in Q4. On a slightly brighter note, employment expectations moved into positive territory for the year ahead. At the forefront of this, respondents based in France envisage a solid pick-up in headcounts across the construction industry, while expectations are also positive within the UK. Conversely, feedback is more subdued across Germany and Spain, where contributors foresee employment falling modestly over the year ahead.

Rising costs continue to put pressure on margins

Chart 3 shows respondents' projections for construction costs over the coming year, along with their forecasts for tender prices. Even though the expected rate of material cost inflation has been trimmed relative to the previous results, total costs are still seen rising at a sharper rate than tender prices. In keeping with this, a headline net balance of -19% of respondents anticipate profit margins narrowing over the next twelve months, albeit this is somewhat less downbeat than a figure of -29% in Q4. Furthermore, the outlook for profit margins is negative for all European nations covered.

Chart 1 - Construction Activity Index by Country

Chart 2 - 12-month Workload Expectations

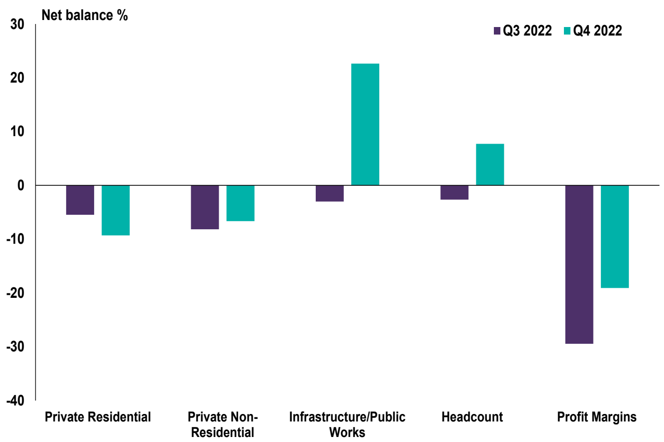
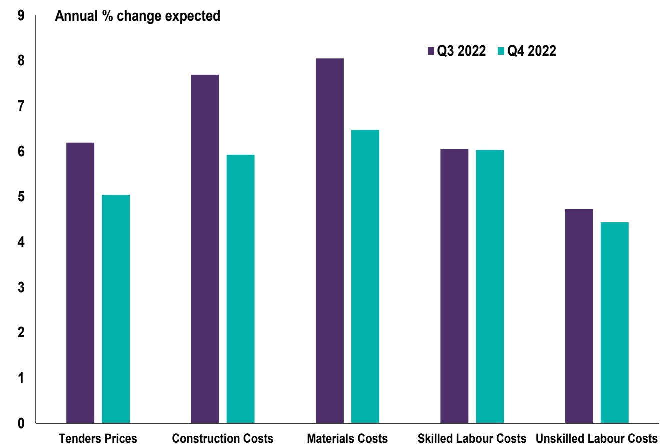


Chart 3 - 12-Month Price/Cost Projections



Regional comments from survey participants in Europe

Austria

Energy transition demand. - Vienna

Cyprus

High shipping costs for material supply and the Ukraine war affecting the market. - Nicosia

Czech Republic

Global slowdown / recession has only just started, although it is forecast to be softer than previous episodes. - Prague

France

2024 Olympics having a positive impact. - Paris

Germany

Financial markets, energy efficiency, investment decline. - Frankfurt

German market still remains hot although some projects are being stopped due to high costs. - Hamburg

Insufficient commitment from the public sector in the area of housing construction. - Munich

Hungary

Unstable business environment. - Budapest

Ireland

Cost of building and developing units is exceeding affordability. - Cork

Availability of finance from financial institutions; increasing rate of insolvencies. - Dublin

Materials cost uncertainty on projects exceeding 6 month duration. - Dublin

Rising interest & mortgage rates are effecting the residential development market. - Dublin

Rising costs or ie. the current rates of inflation is making it extremely difficult to price/tender. - Tralee

Italy

The current conflict in Europe is having an impact. - Milan

Regulatory issues on credit transferring. - Rome

Netherlands

New regulations to accomodate housing in the mid-segment with a negative influence on pricing. - Amsterdam

Labour costs are very high. - The Hague

Poland

Lack of financing. - Poznan

Demand is slowing due to the uncertainty of home working, Ukraine and legislative changes. - Wroclaw

Romania

Ukrainian war, increasing utilities costs. - Bucharest

Spain

Lack of skilled labour. - Barcelona

Lack of product quality requirements throughout the development chain. - Gijón

The province's economy depends on agricultural production, in this case oil. -Jaén

Contractors profiteering on back of inflation increases. - Madrid

Brexit, govenment planning laws, expensive materials, lack of demand. - Palma De Mallorca

Many deserted projects due to price increases. No execution. - Salamanca

Sweden

Inflation. Developers are not as ready to invest as funding not readily available. - Stockholm

Switzerland

Inflation and a shortage of skilled workers. - Zürich

United Kingdom

The Tier 2 Contractors are noticing a downturn in new orders. - Bristol

Inflation is making accurate forecasting difficult. - London

Rising interest rates putting clients off projects. - London

Unreliability and price gouging is widespread. - London

Cost of living. - Manchester

Lack of skilled work force. No stock held by suppliers. Over inflated prices since leaving EU. - National

Brexit remains the number one factor dragging down the market. - North West

Cost of finance. - Yorkshire

Middle East and Africa: Construction sentiment remains resilient with strong expectations

In comparison to the feedback from construction industry professionals in other parts of the world, the insights from those working in MEA are generally more positive. That said, while for most countries the tone is upbeat, the region is no exception to experiencing some of the broader challenges facing the sector. The headline Construction Activity Index (CAI) reading for Q4 was +25, which represents an increase on the +20 recorded in Q3. Chart 1 shows the disaggregation of this index at a country level, highlighting a significant divergence across the region. For example, Nigeria experienced a substantial increase in this headline metric from Q3 (+31) to +62 in the latest quarter. Meanwhile Qatar is still in negative territory with a reading of -5. The CAI remains robust for Saudi Arabia (+65) and the UAE (+49).

Workloads expected to gain momentum

As can be seen in Chart 2, the coming twelve months is perceived to be more positive across the MEA and workloads are expected to gain momentum in all segments of the market. Infrastructure is viewed as the strongest sector presently and is also seen as likely to remain the most robust area of the industry over the coming year. However, both private residential and non-private residential workloads are also expected to grow at a healthy pace. The country level results broadly reflect the pattern in the current workloads data but there are some large disparities. Saudi Arabia has particularly strong feedback with net balances of +79 for infrastructure, +77 for non-private residential, and +62 for private residential. In contrast, the respective results for Qatar are +2, -36, and -8, indicative of the generally more negative tone of contributors.

Financial constraints remain a key challenge

Although the tone from respondents remains generally upbeat to the latest Monitor, various areas of concern are being raised in the feedback received. Similarly, to the previous quarter, financial constraints and the cost of materials remain at the forefront of the issues identified, which can be seen in Chart 3. When asked about key factors holding back activity, financial constraints were highlighted by 77% of respondents, which is a slight easing on the Q3 reading. The cost of materials was viewed as an obstacle by 81% of respondents. These issues are particularly regularly cited in Nigeria and Oman, however, the results from other MEA countries are not significantly different. As regards skill shortages and material shortages, these are generally seen as rather less pronounced at a regional level (certainly in comparison with other parts of the world). However, the Saudi Arabia results are an exception to this pattern, with 72% of respondents reporting skill shortages as an issue (and 68% labour shortages more broadly).

Mixed outlook for profit across the region

Across the MEA region, the current picture for profit margins remains negative with a net balance reading of -36%; this is unsurprising with the cost of materials and financial constraints being raised as key issues. This picture is somewhat similar to other regions. However, the forward-looking feedback is more positive. This is especially the case for Saudi Arabia, where the net balance reading for 12-month expectations comes in at +62%. Once again, the responses from Qatar are more downbeat with profit margin expectations remaining in negative territory albeit now at a net balance reading of just -2%.

Chart 1 - Construction Activity Indices by Country

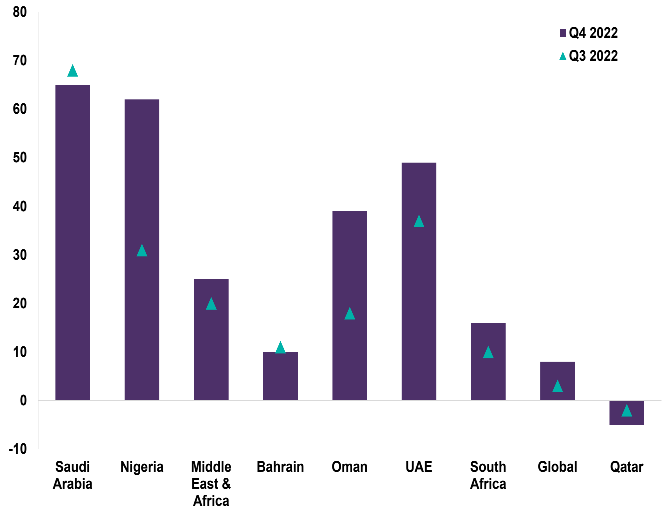


Chart 2 - 12-Months Workload Expectations

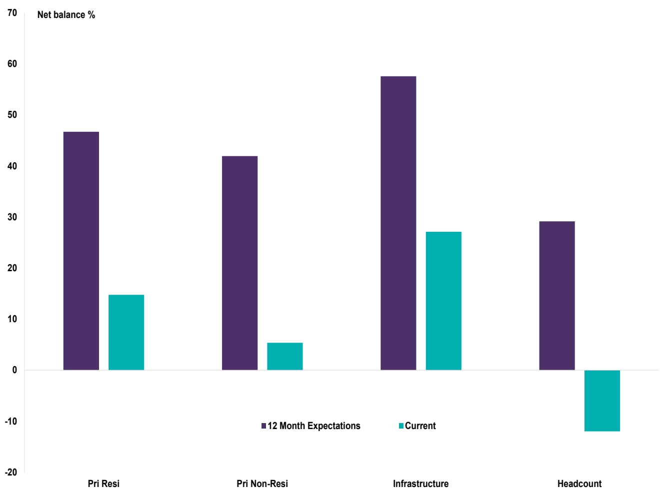
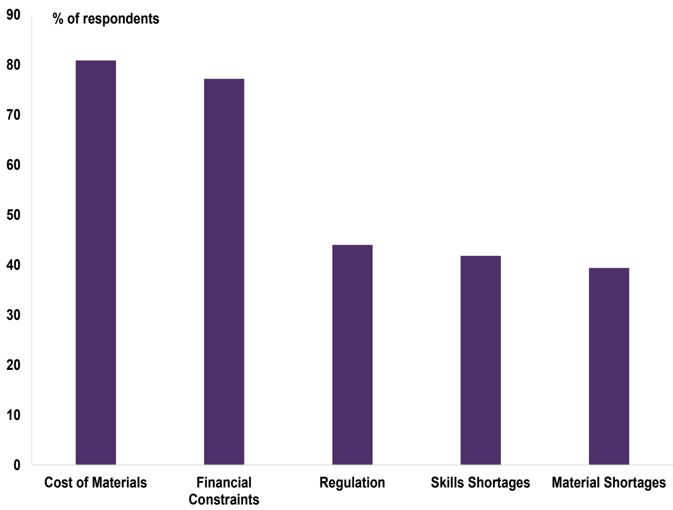


Chart 3 - Factors Holding Back Activity



Regional comments from survey participants in MEA

Bahrain

Lack of investors. - Manama

Weak economy. - Manama

Botswana

Close to 90% of the construction jobs annually are initiated from the public sector. - Gaborone

Discretionary power which is not market related by decision makers. - Gaborone

Lack of polices and regulation. Rising material prices. Heavy reliance on imported materials and goods. - Gaborone

Tourism levels still recovering after Covid-19, there are high cost of transport and goods. - Maun

Kenya

Access to affordable project finance, and political and governance challenges. - Nairobi

Malawi

Fluctuating market prices leading to high construction cost over the past few years. - Lilongwe

Mauritius

Lack of collaboration from all construction stakeholders. - Beau Plan

The effect of Covid-19 is still affecting the building industry in Mauritius. - Mauritius

Increase in costs of materials and travelling expenses. - Moka

Political decisions and the governments failure to negotiate appropriately, leading to the waste of state money. - Phoenix

Regulations in the consultancy market. - Phoenix

Mainly shortage of labour and financing difficulties. - Pointe Aux Canonniers

General economic uncertainty. - Quatre Bornes

Too many contractors. - Vacoas

Nigeria

Insecurity, low production, and currency devaluation. - Abua

Backlog. - Abuja & Lagos

Clients are not aware of most of the software in the construction industry and they are not ready to adapt. - Ayobo Ipaja

Project finance. - Dutse

Logistics and financing. - Ikeja

High inflation rate which affects the costs of materials, poor quality assurance policies, and fake materials. - Municipal

High rate of corruption in the constriction industry. - Port Harcourt

Inflation. - Port Harcourt

Inadequate skilled workers, high cost of material, high foreign exchange, statutory issues, and logistic issues. - Yaba

Oman

New regulation changes and non-implementation of innovative ideas. - Muscat

Competition in the market and material prices are getting higher. - Muscat

Delay in payments, shortage of manpower, and delay in advanced technology implementation, such as BIM. - Muscat

Delays in receipt of payment is the most critical issue. - Muscat

Disruption to the supply chain and volatile changes in materials cost due to conflicts. - Muscat

Localisation with national workforce. - Muscat

Qatar

After world cup 2022, we expect a slight down turn in Q1-3 and a rise in Q4 2023. - Doha

Chronic slow payment fromclients and increase in number of claims. - Doha

Competition of Qatar World Cup 2022. - Doha

Due to FIFA World cup, most other projects are stopped. - Doha

FIFA World Cup. - Doha

FIFA World Cup Qatar 2022 is nearly over so projects pipeline is reduced. - Doha

Hosting of World Cup in November and December 2022 impacted on both supply and demand sides of economy. - Doha

Hydrocarbon sector continues to have strong growth and govenrment infrastucture. The private sector is down. - Doha

Saudi Arabia

Shortage of labour and equipment. - Dammam

Lack of skills and quality. - Jeddah

Material cost and Budget monitoring - Khobar

Shortage of skilled labour and an increase in raw material prices. - Khobar

Delays. - King Salman Park, Commercial Department

Inflation particularly from overseas countries with abnormal inflation e.g. Turkey. - Riyadh

Inflation particularly from overseas countries with abnormal inflation e.g. Turkey. - Riyadh

Monopoly. - Riyadh

Potential for hyper inflation in next 12 months due to volume of tendering across the country. - Riyadh

Saudi Regulation and immigration restrictions. - Riyadh

The operating environment in KSA is tough, collaborative working is unknown and trust is non-existent. - Riyadh

The unprecedent volume of projects coming to the market. - Riyadh

Too many mega projects ongoing creating a shortage of able contractors. - Riyadh

Ukraine war. - Riyadh

Insufficiency of qualified bidders, maybe most of them are busy in KSA. - Riyadh City

It seems that the cost consultants have less benchmarking data for complex building projects. - Sharma

South Africa

Political interferences. - Bloemfontein

Hesitancy by clients resulting from an uncertain economic outlook. - Cape Town

Turmoil in the political sector and political influence over projects. - Dannhauser

Construction Mafia - organised criminals who demand involvement in projects or stop the project. - Durban

Skill shortage and cost of materials. - Johannesburg

UAE

The market is maturing and the demand curve is flattening. - Abu Dhabi

The process of companies stabilisation from the Covid-19 era. - Abu Dhabi

The prolonged delivery times required for a number of items. - Abu Dhabi

With pandemic over, businesses are in upswing but cautiously. - Abu Dhabi

A number of changes during construction stage and later decision making. - Dubai

Client demand for fast track design and construction does not permit time for technological planning. - Dubai

Competition. - Dubai

Demand and supply of residential units is increasing. - Dubai

Weather - global warming. - Paso Robles

Lack of organisations with ethics. - Shah

Lack of surveyors. - Yas Island

North America: Still a generally resilient picture despite macro challenges

Although both the US Federal Reserve and the Bank of Canada continued to tighten monetary policy into the year end and macro numbers point to a loss in momemtum in economic activity, feedback from North America to the latest Construction Monitor has changed little compared with the preceding period. Chart 1 shows the headline Construction Activity Index remains comfortably in positive territory in both countries; in the US, it stands at +15 as against +21 in Q3 while the comparable numbers for Canada are +19 v +23.

Infrastructure remains key driver of growth

Current workload metrics show infrastructure to be the sector continuing to experience the strongest levels of activity. In the US, the net balance reading of +34 is little different from the +38 recorded in the previous three month period. By way of contrast, the private non-residential metric, while still positive, has slipped from +31% to +12% which is indicative of a significant slowing in momentum. For private residential, the workloads indicator has now turned negative falling to -31%. This broadly reflects the picture painted by other surveys of the sector including the NAHB/ /Wells Fargo Housing Market Index. For Canada, the latest numbers are not dissimilar apart from private residential which was actually a little stronger in the final three months of the year (+11% v -1%) despite ongoing evidence that the sector more generally is in the midst of a correction. Within the infrastructure component, feedback in the US points to particularly strong growth in the areas of technology and energy while in Canada, the numbers are pretty solid actoss the board albeit slightly more buoyant in transport.

Skill shortages remain a key challenge

Skill shortages continue to be cited by contributors as a major issue for the sector in both countries, a point highlighted in Chart 2. Significantly, it is the area of skilled trades that are noted most frequently in the responses received (around 80%) although just short of two-third of respondents also highlight problems with recruiting quantity surveyors and project managers (in both countries).

Forward looking indicators point to a soft landing

The net balance results for the New Business Enquiries metric remained in positive territory at an aggregate level as 2022 drew to a close suggesting that the headline workload trend is likely to be consistent with further growth in construction activity. Chart 3 looks at the twelve months expectations at a sector level. The results suggest that current trends are likely to persist with infrastructure very clearly the area where workloads will show the most upbeat trend. The private residential indicator in the US remains modestly negative while in Canada, it is lagging other parts of the construction industry but not indicative of a contraction.

Profits outlook viewed as less negative

Despite ongoing concerns about material costs and wage increases (resulting from labour shortages), the latest insight provided by respondents suggests that they are no longer quite as concerned by threat of a profits squeeze. Indeed, in both countries a modestly greater share of responses suggest margins are more likely to rise than fall over the course of 2023. That said, it is likely there is a strong sector skew to these results (favouring infrastructure).

Chart 1 - Construction Activity Index

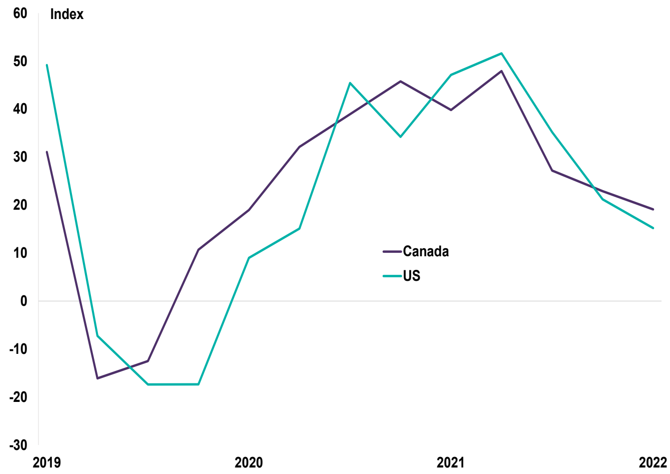


Chart 2 - Skill Shortages Barrier To Development

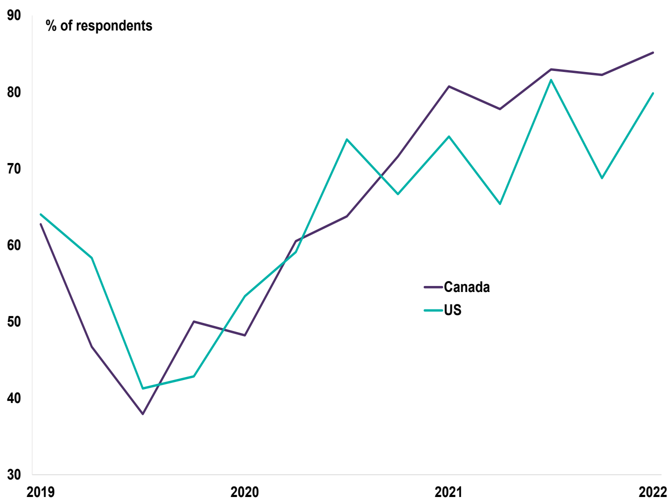
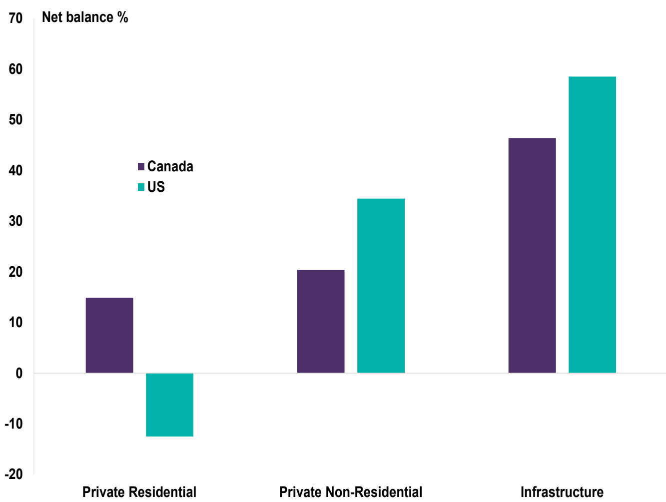


Chart 3 - 12-Month Workload Expectations by Sector



Regional comments from survey participants in the Americas

Antigua and Barbuda

Material cost inflation and the building boom in Barbuda have driven up tender prices. - St John

Brazil

[1] Very compressed schedules; [2] project's drivers not well defined / not maint by client. - Belo Horizonte

Canada

Electric grid capacity shortfall vs electrical vehicle charger demand. - Burnaby

Labour shortage and adapting to digital twin infrastructure. -Calgary

Higher interest rates. - Calgary

Turbulence in the financial sector has influenced the confidence of investment in new projects. – Calgary

Adding workforce. - Calgary

Primarily, the increasing interest rates scaring homebuyers and increasing project financing costs. - Cambridge

Inflation, interest rates, labour shortages, material escalation. - Cornwall

Rising interest rates. - Delta

Satisfactory. - Edmonton

Shortage of skilled trade and professional. – Edmonton

No desire for workers (skilled or unskilled) to travel out of town to work. – Edmonton

Coût plus élevé que les grandes villes comme Montréal (Higher cost than big cities like Montreal). – Gatineau

Manque de compétition au niveau de la sous-traitance (Lack of competition at the level of subcontracting). - Gatineau

Influence of foreign investments. - Halifax

The lack of consistent and accurate specifications lends contractors to bid lower quality products. - Halifax

Extremely slow approval of Building Permit applications. Can be 6 months + in some regions (ie; ON). - Halifax

In Canada, we have huge labour shortage that triggers production issues, schedule and cost impact. - Hamilton

Interest rates. – Kelowna

As BOC is raising prime rate, the impact is disastrous to all type of construction, it needs to stop. - Kelowna

Supply chain. - Kelowna

Availability of trades to perform work in market conditions where the demand is more than the supply. - Kingsville

Partager constamment les informations par le biais de BIM (Constantly share information through BIM). - Laval

Skilled labour shortages and increasing material costs are major issues. - London

The cost of borrowing. - Mississauga

The fluctuations with financial institutions put a strain in the construction health.- Montreal

Roulement de personnel (Staff turnover). - Montreal

Limited market capacity continues to drive prices up. - Ottawa

Supply chain disruption and soaring material prices. - Ottawa

Permitting incredibly slow. – Toronto

Fuel and current world events, residual effect of pandemic directly & indirectly affect the market. – Toronto

Immigration is not enough to reach critical mass of skilled human resources. – Toronto

Rising interest rates are significantly affecting the low, mid and high rise residential sector. - Toronto

Material price and interest rate are increase. – Toronto

Shortage of skilled labour and most experience persons retired. – Vancouver

Shortage of skilled workers. – Vancouver

Cayman Islands

Supply chain is still unpredictable, but much better than the peak period. - Camana Bay

Downturn in demand & higher material prices - George Town

High cost and shortages of materials. - George Town

Uncertainty due to expected global recession. - George Town

Trinidad and Tobago

Government Mismanagement and Crime. - Port of Spain

United States

Low number of interested bidders on public projects. - Atlanta

Competent contractors & engineering firms are overloaded, low availability of skilled workers. - Billings

Lack of design constructibility and completeness constantly delays construction completion. - Boston

Poor financial results arising from under-bidding by contractors on projects after the pandemic lock. - Boston

Increased labor and materials costs as well as slow delivery or shortage of materials. - Chicago

Skilled labour & material costs. - Davenport

Supply chain delays and extremely long lead times for disciplines major equipment. - Honolulu

Too much demand impacting inflation. - Houston

Carbon pricing. - Houston

Regulations with long approval process. - Jackson

Still have materials supply change & shortage issues. Los Angeles

Supply chain issues. - Los Angeles

Inflation in the U.S. has been a shock. We are seeing projects halted due to price increases. - National

Lack of demand/opportunites. - New York

Cost escalaton, contractor opportunistic pricing, supply chain issues, availability of MEP QS'. - Philadelphia

Interest Rates. - Portland

ESG is driving higher costs with little return on investment. - Richmond

Tremendous growth in area. - Orlando Tech companies reducing headcount. - San Francisco

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

Survey questionnaires were sent out on 7 December 2022 with responses received until 20 January 2023. 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 3782 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

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