



ECONOMICS



Global Construction Monitor

Q2 2025

Responses were gathered in conjunction with the following organisations:



Canadian Institute of
Quantity Surveyors

Institut canadien des
économistes en construction



PICQS



AACE
INTERNATIONAL

ECONOMICS

Momentum appears to be stalling with global construction workloads largely flat in Q2

- Construction Sentiment Index points to a largely flat backdrop from a global perspective
- Greater divergence seen across world regions, with sentiment deteriorating in APAC but recovering slightly in Europe
- Infrastructure continues to display the firmest outlook at a sector level, driven by energy and transport projects

The Q2 2025 RICS Global Construction Monitor results are consistent with a flatter overall picture coming through of late. Indeed, growth in output across the industry appears to have gradually lost momentum over recent quarters. That said, activity across several nations remains much stronger than the aggregate narrative, while infrastructure more generally continues to outperform other market segments.

Construction Sentiment Index now sits in neutral territory

At the global headline level, the CSI (a composite indicator summarising many of the key variables tracked) eased back into neutral territory in Q2, coming in at +5. This compares to readings of +9 and +17 in each of the previous two iterations of the survey, and does in fact represent the least positive figure for this series going back to 2022. Chart 1 plots the CSI time series at a broad regional level. Seeing a deterioration during Q2, APAC returned a reading of -15 (down from -5 last quarter), marking the weakest figure since 2020. It should be emphasised that a lot of this negativity continues to stem from China, while other parts of the region fare relatively better. Moving in the other direction, Europe registered a

CSI reading of +15, the most positive return across the continent going back over the past thirteen quarters. Alongside this, both MEA and the Americas also exhibit positive readings for the headline metric, although it is worth highlighting that the latest numbers are noticeably less upbeat those seen towards the end of last year.

Looking at the country level feedback (displayed in Chart 2), robust growth in construction workloads was once again cited in the UAE, Spain, Saudi Arabia and India. In each case, respondents are reporting a strong pick-up in activity across all sectors (private residential, private non-residential, and infrastructure). At the other end of the scale, mainland China and Hong Kong are still experiencing a downturn, with no sign as yet that a turnaround is imminent. Elsewhere, European nations such as Italy and Germany are now seeing a slightly stronger trend in construction activity emerging, while the deeply negative results seen across France previously now appear to have stabilised. For the United States, a modestly positive picture for headline workloads remains visible, although current impetus behind activity is significantly softer than that reported over much of last year.

Chart 1 - Construction Sentiment Index by Region

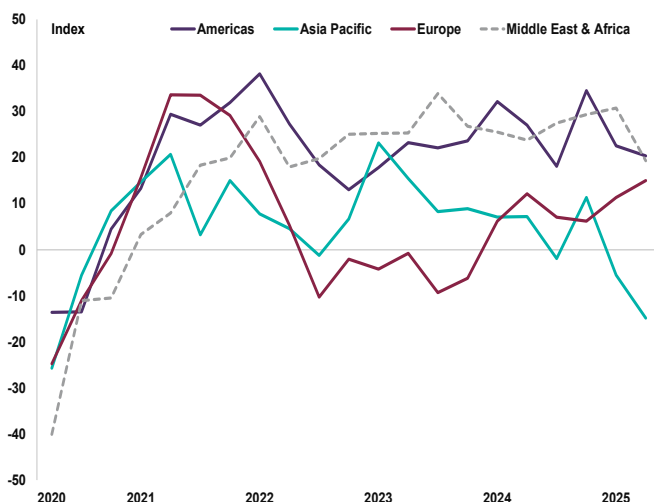
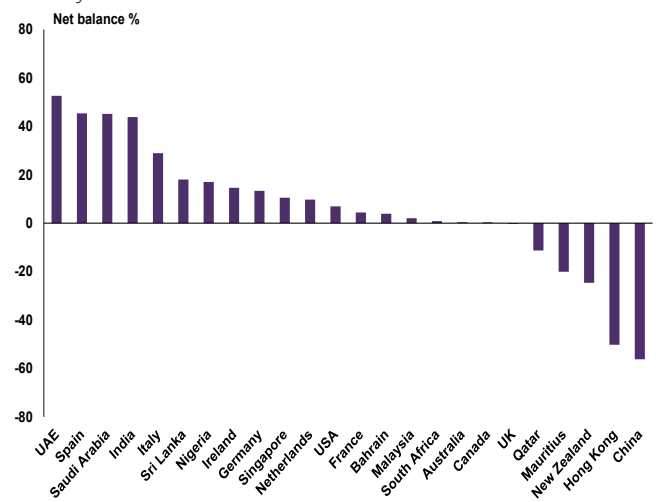


Chart 2 - Current Trend in Headline Workloads by Country



Forward-looking sentiment remains strongest across the infrastructure sector

With respect to the sector level picture, growth in infrastructure workloads (in net balance terms) has continued to outstrip all others tracked both from a global aggregate standpoint and across most world regions. At the forefront of this, energy, transport and ICT are the sub-sectors which have seen the firmest pick-up in activity over recent quarters. Looking ahead, Chart 3 displays twelve-month expectations at the sector level across each world region. As has been the case for quite some time now, infrastructure continues to exhibit the most upbeat outlook relative to other market sectors in the Americas, Europe and APAC. Meanwhile, across MEA, although infrastructure workloads are also anticipated to show robust growth over the coming twelve months, respondents foresee a slightly stronger trend in private residential workloads.

Running parallel to this, private residential development activity is expected to expand at a solid rate across Europe, with survey participants in Spain and Germany particularly upbeat on the prospects for the sector moving forward. At the same time, workloads are seen rising more moderately in comparison across the European private non-residential/commercial sector, albeit projections have been upgraded compared to last quarter.

Across APAC, the private non-residential sector appears especially troubled, with development activity anticipated to fall over the year ahead. Again, on closer inspection, much of this pessimism is coming from China, where expectations remain deeply negative. By way of contrast, private residential and non-residential workloads are seen rising in India, Australia and New Zealand over the next twelve months.

Chart 3 - Twelve-month expectations by sector

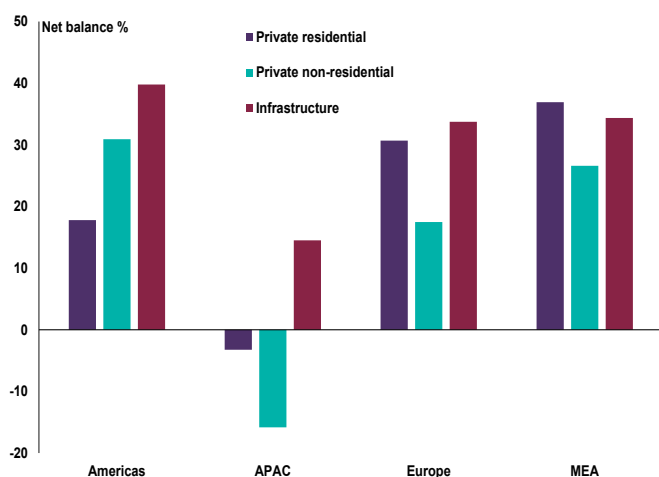
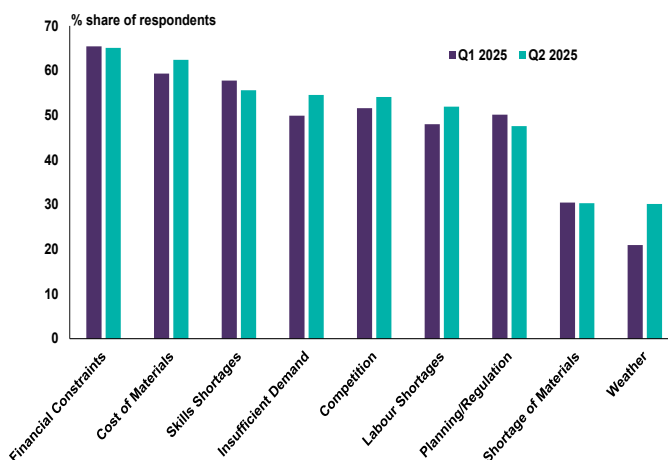


Chart 4 - Factors Limiting Construction Activity



Financial Constraints show no sign of abating while material cost pressures look to be re-intensifying

Chart 4 shows the share of respondents reporting certain factors to be hindering the construction industry at present. Remaining the most widely cited challenge currently, close to two-thirds of respondents point to financial constraints holding back activity. Not helping in this respect, the credit conditions indicator capturing changes over the past quarter returned a net balance of -11%, implying the lending environment worsened during Q2. Alongside this, 62% of contributors report that the cost of materials are impeding activity. Having declined steadily from a peak of 91% of respondents reporting pressures around material costs back in early 2022, the past three quarters have seen this share begin to climb once again. On a somewhat more encouraging note, material cost inflation projections for the coming year were trimmed slightly during Q2, albeit this marginally slower pace of increase is unlikely to provide much respite.

Another frequently mentioned issue is a lack of access to skilled workers, with 56% of respondents globally pointing out this challenge. Drilling deeper into the data, skilled trades are in particularly short supply, with a majority of respondents worldwide referencing such shortfalls. Meanwhile, the level of project managers and quantity surveyors available is also seen as inadequate by 43% and 42% of the global sample (chart 5 on the next page). When viewed at a regional level, skills shortages are especially prominent in the Americas and Europe.

With regards to overall industry employment trends, the net balance of -14% for the global headcount indicator signals a fall in the size of the workforce during Q2. Nevertheless, respondents foresee a modest pick-up in employment levels over the year to come. Chart 6 on the next page shows country level trends in headcount over the recent past, alongside twelve month expectations. Returning the strongest expectations for job creation, India, the UAE and Saudi Arabia all exhibit firmly positive projections.

Chart 5 - Skills shortages breakdown

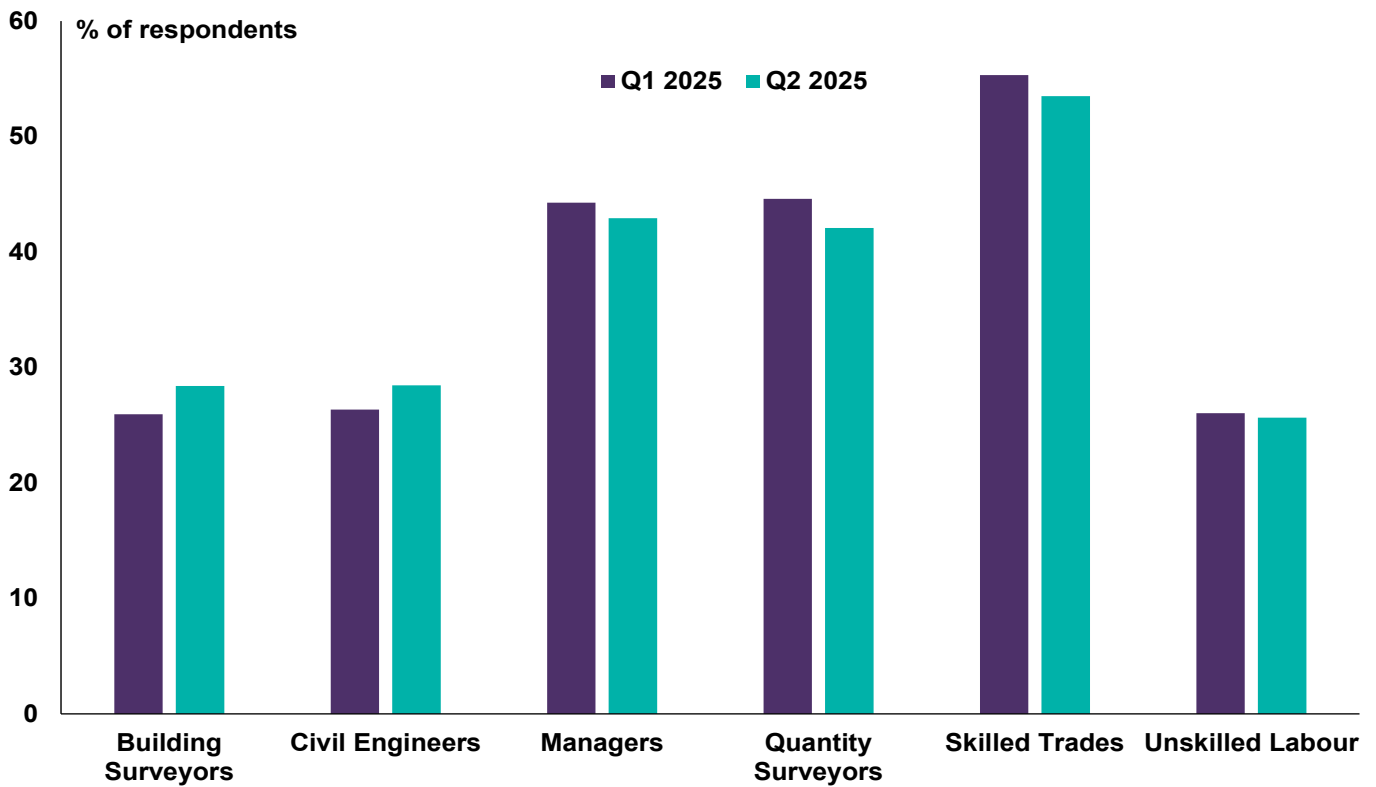
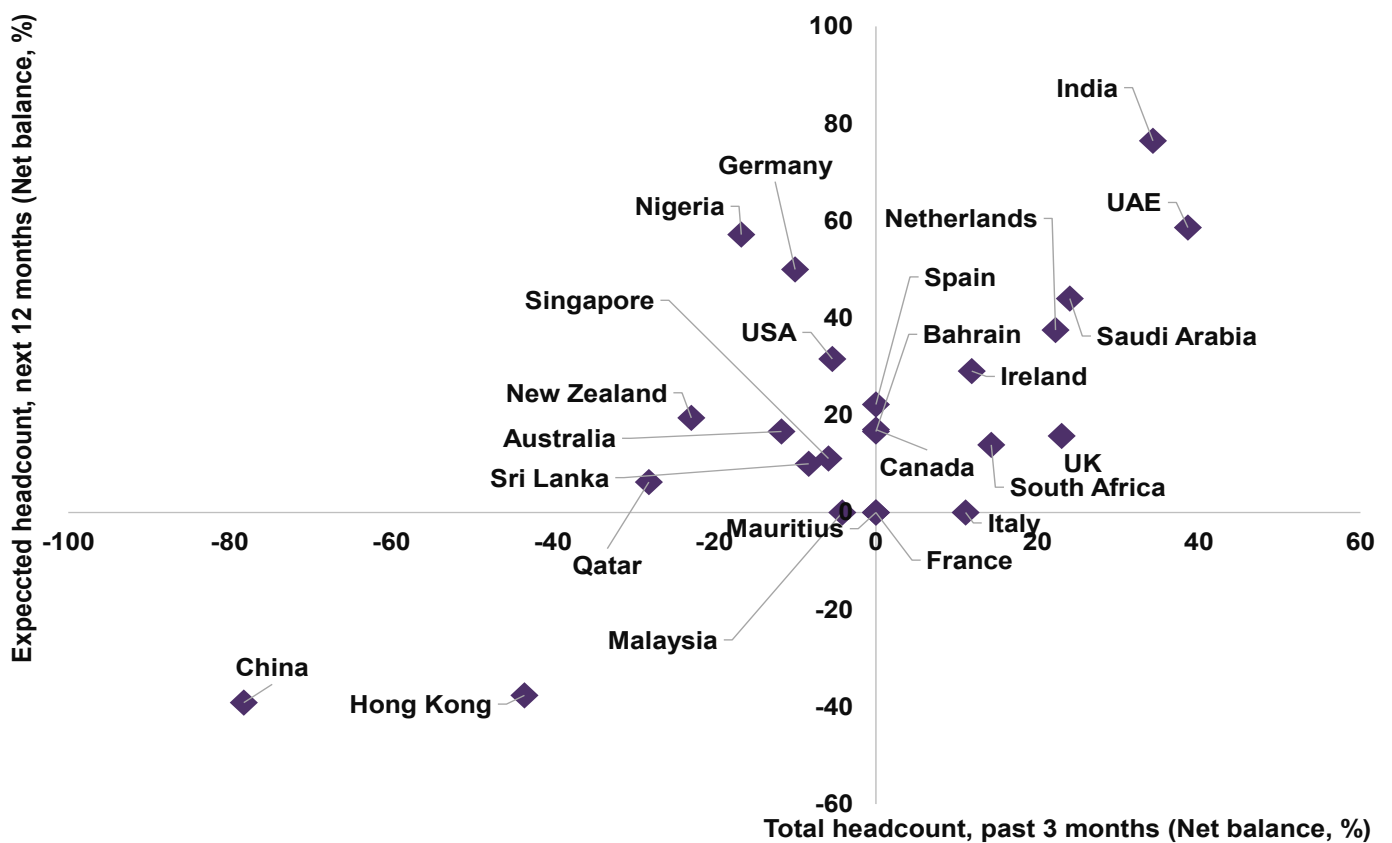


Chart 6 - Current and expected trends in industry headcount by country



APAC: Construction activity remains weak across the region in aggregate although country level trends vary

The Q2 2025 feedback for APAC remains weaker than that seen across other world regions, with current workloads reportedly falling within all sectors at the aggregate level. Moreover, forward-looking indicators deteriorated further during the latest survey period, pointing to this subdued backdrop remaining in place for the year ahead. That said, some nations, such as India, continue to display an altogether stronger picture than the headline figures would suggest.

Construction Sentiment Index weakens further at the regional level

Across APAC as a whole, the CSI came in at -15 in Q2, down from a figure of -5 in the previous iteration of the survey. In fact, the latest region-wide reading marks the weakest return for this series going back to Q2 2020.

Chart 1 shows the CSI results disaggregated at the country level, with the two largest nations, China and India, continuing to display dramatically different results. For India, the latest CSI reading of +48 remains indicative of a strong expansion across the construction industry, evidenced further by solid growth in workloads being reported for each sector (private residential, private non-residential and infrastructure). Conversely, the opposite is true for mainland China, as well as Hong Kong, with respondents continuing to report falling activity across the board. Elsewhere, respondents based in Sri Lanka are seeing a modest pick-up in workloads, albeit momentum does appear to have softened relative to recent reports. Alongside this, the CSI is in marginally positive territory across Australia, Singapore and Malaysia, although the latest numbers are signalling relatively limited growth in each instance.

Chart 2 plots the new business enquiries indicator at the regional level, providing another illustration of the subdued nature of current conditions. Indeed, this series has turned progressively more negative in each of the past three reports, with the latest reading the most downbeat since 2020. While China continues to weigh most heavily on the regional results for this measure, negative returns were also registered across Malaysia, New Zealand and Singapore.

Infrastructure sector expected to prove more resilient than others over the year ahead

For the coming twelve months, regional aggregate expectations are still positive regarding the outlook across the infrastructure sector. Even so, sentiment in this area has softened compared to the Q1 results. Meanwhile, a flat to slightly negative trend is envisaged for the private residential sector, representing a noticeable downgrade compared to the somewhat positive assessment seen last quarter. Alongside this, private non-residential workloads are seen falling over the next twelve months, returning the most pessimistic reading since early 2020. Driving the bulk of this, the net balance reading of -60% in China is the weakest on record. By way of contrast, private non-residential workloads are actually expected to rise to a greater or lesser degree in most other nations tracked throughout APAC.

When asked about the factors hampering the market at present, 80% of respondents cite 'competition' as an impediment. At the same time, financial constraints and insufficient demand are highlighted by a respective 79% and 68% of contributors across the region. In both cases, the share of survey participants reporting such issues has risen compared to the results for the prior quarter.

Chart 1 - Construction Sentiment Index



Chart 2 - New Business Enquiries by Country

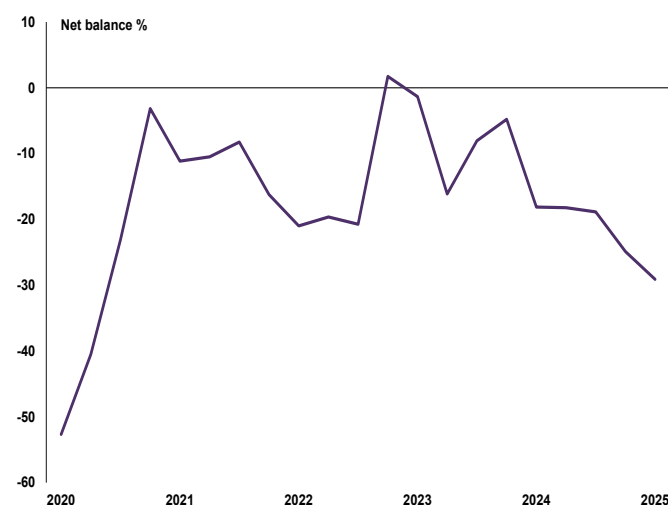
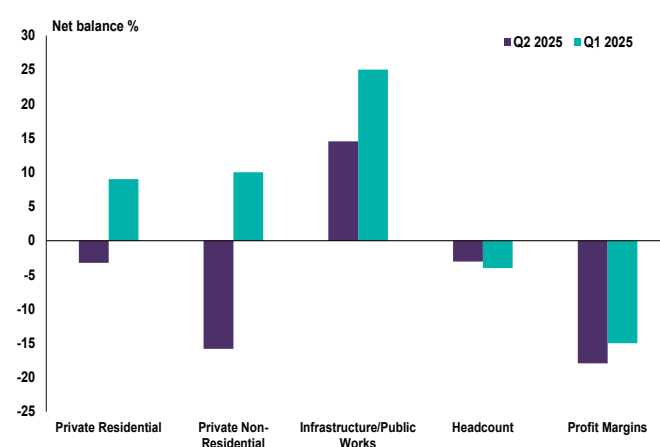


Chart 3 - Twelve-month Expectations



Regional comments from survey participants in APAC

Australia

Construction cost and government decisions. - Brisbane

Lack of Tier 1 contractors and shortage of trade resources. - Brisbane

Loans. - Brisbane

The falling price of iron ore has reduced shipping from Esperance and dampened demand for expenditure in this location. A good opportunity though to refurbish existing infrastructure during the downturn, lets hope the funding continues. - Bunbury

Trade deals. - East Brisbane

Shipping costs. - Gold Coast

Tarif uncertainty and high interest rates remain the key factors most people are focused on. - Hobart

Most projects are financially unfeasible at present, due to post-COVID inflation of labour and materials driven by Federal Gov sucking it all into their infra projects. - Melbourne

Global growth prospects deteriorate amid escalating risks, coupled with project costs increases, is leading to some clients delaying or even cancelling projects from moving forward. - Perth

Lengthy approval process, delay of funding and short-term project planning. - Perth

The construction market is being affected by global economic uncertainty, rising interest rates, and inflation, which are driving up borrowing and material costs. High demand and supply constraints for key mining minerals like lithium and copper are causing price volatility and delays. Ongoing labour shortages and increased expectations for sustainable construction are adding further pressure to project delivery. - Perth

Availability of skilled trades, over-regulation by the Government. - Sydney

Competition for skilled labour between states and territories. - Sydney

Extreme weather. - Sydney

Lack of skilled trades is the single biggest factor affecting the construction market. - Sydney

Planning approvals, pipeline of infrasture projects. - Sydney

Political will with regards to renewable energy construction. - Sydney

Poor state and federal governments leadership. - Sydney

Road and rail projects are reducing whilst power and water increasing. - Sydney

Sustainability seems to be a marketing asset during sales more than a true impact for the environment. Another important point is the Union increasing cost that are not aligned through trades, trades with a better union have a better pay. - Sydney

Less competition due to insolvencies. - Sydney, Australia

Brunei

In the absence of domestic enforcement mechanisms, aligning with international standards demonstrates proactive industry leadership. These frameworks help construction firms in Brunei manage environmental risks, reduce carbon emissions, and benchmark performance globally. They also improve investor confidence and facilitate access to international funding, particularly for green or sustainable projects. - Bandar Seri Begawan

China

The external economic situation has a great impact on the construction market. - Beijing

Demand for properties. - Guangdong

The construction market development will be affected by the impact of AI and robotic applications with difficulties to accommodate and catch up to adopt the market change. - Guangdong

As the fiscal situation improves, market vitality urgently needs to be reversed to reduce vicious internal circulation. - Guangzhou

The construction market has undergone significant changes, with material prices rising. - Kunming, Yunnan

The overall global economic downturn has led to a trend of contraction in the construction industry in terms of quality and quantity. - Shanghai

The decline in construction business and the economic downturn are the biggest factors affecting the construction market. - Shanghai

Construction costs have risen, but bid prices have fallen instead of rising, resulting in a decline in corporate profit margins and particularly fierce competition. - Shanghai

Construction activity weakened and industry orders declined. - Shanghai

Strengthen the promotion, learning and use of relevant policies and technologies. - Shenzhen

Hong Kong

BIM application and using of robotic technology. - Hong Kong

Commercial conflict between China and USA. - Hong Kong

Cost and prices are most important. - Hong Kong

Foreign labour with different culture / standard and site safety issues. - Hong Kong

Long term energy savings with green economy should most likely benefit the construction market. - Hong Kong

Market shrinks, costs rise. - Hong Kong

The adoption of new construction technologies (such as modular construction, BIM, or drones) presents opportunities for efficiency but may require investment and upskilling. - Hong Kong

The construction industry's growth in Hong Kong is projected to slow to 0.7% in 2025, down from an estimated 4% in 2024.

This decline is driven by high interest rates, geopolitical tensions, a slump in the property sector, and a rising budget deficit, which will impact government project payments. In December 2024, the finance chief doubled the budget deficit forecast to HKD 100 billion for 2024-25, as the soft property market has reduced government revenue from land sales and taxes. - Hong Kong

The government is promoting modular integrated construction. - Hong Kong

The local market is facing a mid-downturn condition at the moment, and I think that this situation will continue for a long period. - Hong Kong

Building ordinance. - Kwun Tong

No on-going projects, many lay offs , many lost jobs, many employers did not pay the salaries due to workers. - Tai Po

Continuous changing of technology on production of carbon free or reusable materials, in managing a contract or project safely and environmental friendly. Others include the lack of skilled labour and managerial staff with updated technological knowledge. - Tuen Mun

Japan

Limits on overtime work hours. - Eastern Japan

The problem is that rising construction costs, material costs, and labor costs are reducing the yield on newly built properties, making people somewhat negative about new projects. - Tokyo

Malaysia

Additional SST of 6% imposed on non-residential developments in Malaysia starting on 1 July 2025 would increase selling price. - Federal Territory

Geopolitical issues. - Johor

Political issues. - Kuala Lumpur

The construction market in Cheras, Malaysia, faces several challenges driven by rapid urbanisation, limited land availability, and increasing development costs. Traffic congestion and infrastructure strain often delay construction timelines, while rising material prices and labour shortages add financial pressure. Environmental regulations, such as Environmental Impact Assessments (EIAs) and green building requirements, are becoming more stringent, prompting a shift toward sustainable practices. - Kuala Lumpur

We need a top-down approach to push the sustainability agenda for the construction industry. - Kuala Lumpur

Government increase is GST on construction is a factor in rising prices. - Penang

The economic conditions are not conducive to the construction market. Government policies to impose Sale and Service Tax on more sectors of economy are creating negative impact on the construction market. - Penang

1. sufficient budget 2. economy is good 3. Low tariff 4. low interest 5. plenty of job opportunities - Selangor

Regional comments from survey participants in APAC

Government implementation of sustainable construction, but most contractors are not well-versed / experienced in sustainable construction methods. - Selangor

Unfair competition and lack of experienced contractors for medium to smaller projects. Contractors licence can be obtained easily. Hence contractors tendering projects might not be the one carrying out the works. Too many layers of subcontracting hence the actual contractor carrying out the work has very small margin to work on. Any delay in payment will cause the project to delay and poor workmanship. - WP

Myanmar

Carbon footprint mitigation is waste of resources and non scientific. - Yangon

Due to political situation, the economy is unstable with a slowdown in the construction industry. - Yangon

New Zealand

Government has stalled growth in most sectors. - Auckland

Low construction output is affecting the number of people staying in the country, losing professionals and operatives to Australia, which isn't a current issue due to the current output, but will be a future problem. - Auckland

Not enough upcoming construction projects. - Auckland

Slow economy - Not many new projects or projects are slow to get started. We have seen a increase in enquiries for QS services, so hopefully this translates into more new projects kicking off. - Auckland

Total development costs creating no return for commercial clients. - Auckland

Financial climate is a barrier to capital investment for sustainability and other initiatives. - Canterbury

General recession and downturn in spending over the last 18 - 24 months. - Canterbury

Lack of confidence in the construction market, impacted by government policy and fiscal approach. - Canterbury

Massively reduced government spend in horizontal and vertical infrastructure has massively effected the economy. Arms over economy. - Canterbury

The current government only has a little more than one year left in its term of office to implement and show benefit for the polices on which it was elected. To date, there's been little positive impact on the construction sector in NZ. - Canterbury

Recession over here, construction market is in a downturn, not many projects going on. - North shore

Confidence is beginning to come back into the New Zealand economy. - Otago

Economic confidence. - Wellington

Government policy and the effects on the economy. - Wellington

Philippines

Construction Market is experiencing robust growth, but faces several challenges including labor shortages, rising material costs and potential delays. Factors like infrastructure investments, urbanization, and government projects are driving this growth, while global market fluctuations and local supply chain issues can impact costs and timelines. - Manila, Philippines

Floods. - National Capital Region

Absence of skilled workers. - NCR

Owners and clients increasingly requiring more stringent contract terms. - NCR

Sustainability and political issues. - NCR

Singapore

Concerns about the tax tariff by the Americans and political instability Middle East are affecting the economy which is then affecting the construction market. - Singapore

Cost. - Singapore

High material wastage due to unskilled labour force carrying out work which also lead to more rectification work. - Singapore

Renewable energies are still quite limited and the price is not certain. - Singapore

Wastage. - Singapore

Competition, multiple regulations. - South East Asia

South Korea

Complaints from local residents and environmental groups. - Seoul

Sri Lanka

Government regulations, client awareness. - Eastern

As the financial crises are increased all over the country, there is not much attention applied by individuals and relevant authorities. - North Western Province

Skill labour shortage. - Western Province

Thailand

Due to tight margins, developers more often than not, opt for lower construction cost in order to maximize profitability. In some cases, they do choose better quality contractors at a slightly higher cost in order to derive better quality and timely delivery. - Bangkok

Europe: Recovery in construction activity gains momentum

The Q2 2025 feedback for Europe is symptomatic of a modest improvement in construction activity across the region as a whole. Moreover, twelve-month expectations remain solid - particularly in the infrastructure and private residential sectors. That said, the picture remains more mixed when viewed at a country level.

Construction Sentiment Index edges further into positive territory

At the pan-European level, the latest Construction Sentiment Index (CSI) rose to +15, up from +11 in the previous quarter. This marks the second consecutive increase, with the index now clearly in positive territory. A country level breakdown of the aggregate figure (Chart 1) indicates that no European nations covered across the continent posted a negative CSI reading, albeit there remains some divergence still. Spain continues its strong momentum with a CSI of +33, while Germany has emerged as another standout performer, also recording a reading of +33. Elsewhere in the region, activity remains solid in Italy, which posted a CSI of +22, while more modest readings were recorded in Ireland (+10) and the Netherlands (+11). The UK saw little change from the previous quarter, with the index coming in at +3 compared to +4 last quarter. Meanwhile, France recorded a notable shift. Indeed, the latest reading of +2 represents a significant rebound from last quarter's -35, bringing sentiment back into stable territory after a prolonged period of negative readings.

Aggregate workloads hold firm within infrastructure but are flatter across private residential and non-residential

As shown in Chart 2, industry workloads remains robust in the infrastructure sector, with a net balance of +30% of respondents reporting growth (up from +22% in Q1). In contrast, activity in both the private non-residential (+2%) and private residential (+8%) sectors remains a little flatter, despite modest improvements from the previous quarter. At the country level, Spain continues to perform strongly across all three sectors, with particularly robust growth in private residential, posting a net balance of +73%, up from +67% previously.

Some degree of growth projected across all sectors

Chart 3 depicts the feedback for workload expectations over the coming twelve months by sector at the European aggregate level. As has been the case for a while, the outlook is most optimistic for infrastructure according to a net balance of +34% of respondents, albeit this is slightly more modest than Q1's reading of +40%. Private residential follows closely behind, with a net balance of +31% of respondents expecting a rise. Meanwhile, private non-residential workloads are expected to pick-up by a comparably more moderate net balance of +17% of contributors. Both headcount and profit margin expectations have improved compared to the previous quarter, with the latter moving out of negative territory (rising from -7% to +7%), while headcount expectations edged up to a net balance of +18%, from +15%.

Looking into the country-level data, respondents in Spain and Germany are the most optimistic regarding infrastructure expectations over the coming year, posting net balances of +50% and +86%, respectively. Interestingly, France stands out as the only market tracked across Europe not to register a firmly positive assessment for infrastructure, instead returning a neutral reading of zero.

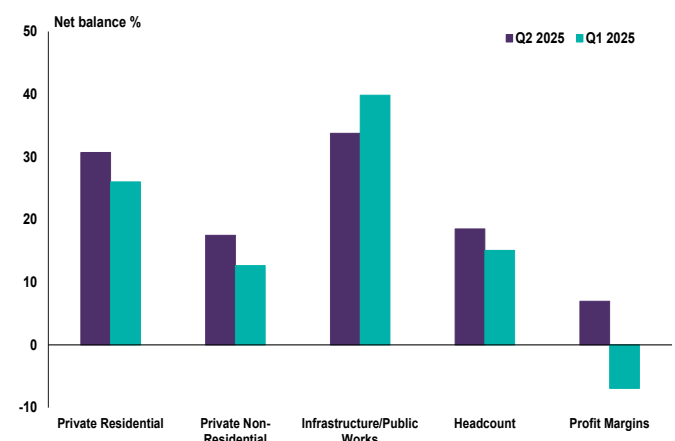
Chart 1 - Construction Sentiment Index by Country



Chart 2 - Current Workloads by Sector



Chart 3 - Twelve-month Expectations



Regional comments from survey participants in Europe

Albania

Disposal of building waste is a major issue within Albanian Construction Industry being a developing country. - Tirana

Estonia

Russian aggression has slowed down local and international investment. Some development work related to defence industry and Rail Baltica is keeping the market from collapsing. - Tallinn

Russia's war with Ukraine and instability in the Baltics. - Tallinn

France

Training in eco-construction and eco-renovation - Pas De Vile En Particulier

Long-standing traditional practices & procedures. - Payrac

Germany

Insecurity and instability with regard to global trade affected by U.S. tariffs and potential trade wars. - Berlin

To receive DGBN Gold certification, we need to conduct all the necessary measurements in accordance with the rules of the art regarding the circular economy, species protection, etc. Without certification, we will no longer receive any money from banks and will no longer be able to sell the projects. - Hamburg

A lack of buyers due to the desire for further interest rate cuts, strict requirements for energy savings and comfort features lead to further cost increases in production, and young architects and engineers are insufficiently trained and require further training before they can be employed in planning offices or project management. - München

Excessive legal requirements, excessive bureaucracy. - Schondorf Am Ammersee

Guernsey (UK)

The shortage of labour -both skilled and unskilled. - St Peter Port

Ireland

Planning. - Cork

Speed of the planning process and lack of skilled is delaying the housing completion numbers. - Cork

Waste in general is extremely high. - Cork

Where the opportunity presents itself, more effort needs to be made with regard to reducing the removal of materials off site, recycling materials which could be repurposed into landscaping and sub-base structures etc. - Cork

Skills shortages are the key concern with the age demographic on site being >50. - Donegal

Illegal immigration, institutional corruption, sudden unexpected death on site. - Drogheda

Build costs are rising, labour is an issue, planning is terrible. Plus, there is strong demand for housing. - Dublin

Inflation and lack of key trades are major issues. - Dublin

International investment by US companies & lack of electrical power available for new development. - Dublin

Labour rate increase. - Dublin

Lack of skilled and unskilled labour is a major issue, alongside the rising cost of both. - Listowel

Mostly infrastructure and high costs. - Navan

Lack of action by NI Assembly. - Pettigo

Training and appropriate software to monitor construction materials is key to building with appropriate materials. - Sligo

Lack of site supervision affecting quality. - Waterford

Italy

Key issues: lack of construction competence in budgeting project. Consultants should have better hands-on knowledge about how things are made in order to take the right decision. - Milan

Milan residential field is going down because of courts problems. - Milan

Digitalization of permitting procedures. - Milan-Rome

Netherlands

Unclear laws and regulations. Changes in laws and regulations. - Amsterdam

Shortage of building land. Too many environmental objections. Lack of qualified personnel. Too much involvement of local residents. Cost-increasing factors due to government requirements. - Rotterdam

Nitrogen crisis in the Netherlands, permits are hardly issued. - Wassenaar

Portugal

Lack of updated regulatory framework. - Lisbon

Romania

The nZEB law accelerated modernization and professionalization in Romanian construction, fostering an industry that is more energy-conscious, technologically advanced, and aligned with European standards—despite higher initial challenges and costs. - Bucharest

War in Ukraine (energy cost) and political measures (cut deficit). - Bucharest

Spain

Multiple regulations and administrative obstacles/delays. - Almería

The impact of the floods of October 29, 2024 has led to a subsistence economy, focused on optimizing resources for the immediate recovery of damaged infrastructure. - Torrent

Lack of personnel. - Urduliz

Lack of labor - people do not want to work and the administration creates a climate that favors it. - Villalón De Campos

Timeframe for obtaining municipal or regional permits and licenses. - Zaragoza

Switzerland

Rent regulations, rules for setting rent. - Bern

United Kingdom

Uncertainty about government measures and those that are being discussed appear unrealistic. - Bromley

A large amount of major projects have or will commence in the next year or so this will have an impact on professional and trade labour and subcontractors. This could have an impact on future costs. - Cardiff

Planning constraints and poor investment climate. - London

Considerable loss of enquiries since Covid pandemic. - Paris

1. Rising Material Costs and Supply Chain Disruptions - This results in increased tender prices, cost overruns, and contract re-negotiations on DIO projects. 2 Planning Delays and Environmental Constraints - These delays affect mobilisation timelines and early contractor involvement for MOD sites and infrastructure upgrades. - Portsmouth

Lack of experienced planning officers. Specialist reports required for common sense decisions. Planning officers continually asking for extension of time. Discharge of conditions now charged per condition. Conditions attached requesting discharge even though reports already submitted with information as part of planning. - West Tisbury Cp, Wiltshire

Middle East and Africa: Construction activity remains strong with expectations also robust

The Q2 2025 GCM results for the Middle East and Africa continue to indicate a strong performance, accompanied by solid expectations for the months ahead. This is a trend that has persisted across several quarters. However, financial constraints remain a key factor dampening activity among firms. Moreover, while the aggregate data reflects robust regional activity, a closer look reveals significant disparities in conditions across individual countries.

Construction Sentiment Index remains solid though momentum slows

At the MEA-wide level, the latest Construction Sentiment Index (CSI) posted a reading of +19 for the latest survey period - a notable easing from the previous quarter's +31. While sentiment remains positive, the drop reflects a softening in momentum compared to recent quarters. Nevertheless, the MEA reading continues to outperform the global average, which recorded a CSI of +5 (down from +9 in Q1).

Disaggregating this figure by country (Chart 1) reveals contrasting shifts in activity across different parts of the region. As in the previous survey, the UAE remains the strongest performer, with a CSI figure of +52 - holding steady compared to last quarter. Positive sentiment is also evident in Saudi Arabia (+43), Nigeria (+29), and Bahrain (+26). In contrast, headline sentiment around construction activity is negative in both Mauritius (-14) and Qatar (-8). Notably, Mauritius has seen a sharp deterioration in sentiment, plunging from a positive reading of +42 last quarter to now sit in negative territory. Elsewhere, South Africa's latest reading is substantially more upbeat, with the figure now in positive territory at +8, up by from -7 in Q1 2025.

Workload trends hold strong with positive year-ahead expectations

Chart 2 presents the current net balance for workloads alongside twelve-month expectations, broken down by sector. All three sectors show positive momentum, with infrastructure continuing to lead, as +19% of respondents (net balance) reported an increase in workloads this quarter. Private residential follows closely at +18%, while private non-residential remains in more moderately positive territory (net balance of +10%). Meanwhile, workload expectations for the next twelve months remain solid and are stronger than the current conditions metrics across all three observed sectors. Notably, private residential is now anticipated to see the greatest uplift over the coming year, breaking the trend of infrastructure being the most optimistic sector - a pattern that had persisted since Q1 2022. Elsewhere, despite current trends for employment (-10% net balance) and profit margins (-15%) remaining somewhat downbeat, twelve-month expectations are more optimistic, with net balances of +19% and +15% of respondents, respectively, anticipating an improvement in both variables.

Turning to the current barriers faced by firms in the construction industry (Chart 3), financial constraints remain the most commonly cited impediment to activity, reported by 74% of participants - up from 68% in the previous quarter. Excluding this, the share of respondents identifying other challenges has declined compared to Q1. Most notably, the proportion of contributors highlighting skills shortages, while still a significant concern, fell from 53% to 42%, and material shortages saw a similar drop, from 35% to 25%.

Chart 1 - Construction Sentiment Index by Country



Chart 2 - Current conditions/twelve-month expectations

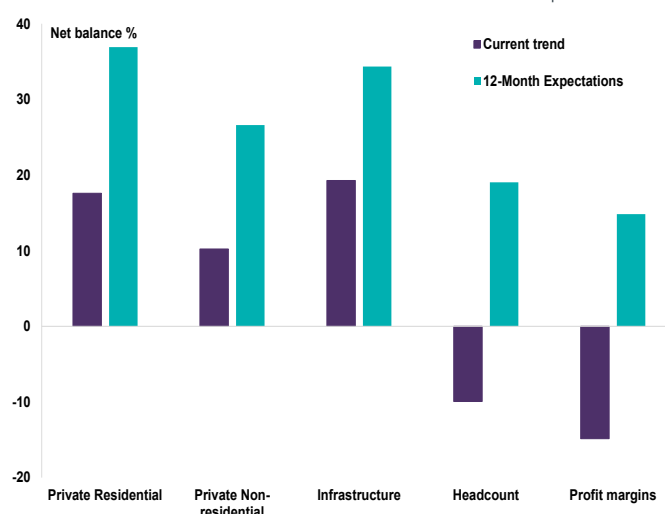
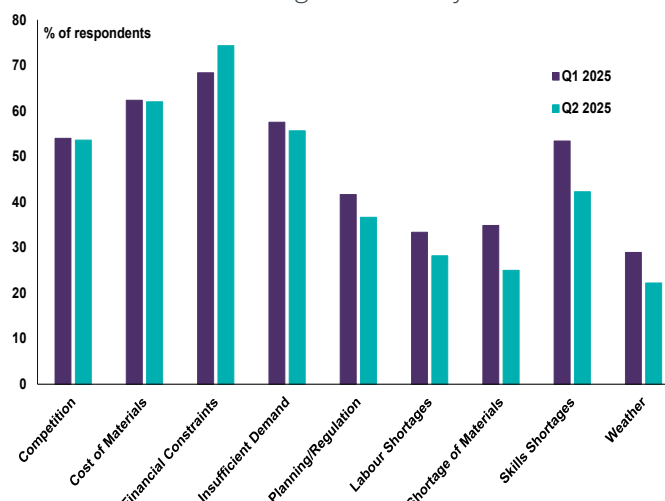


Chart 3 - Factors Holding Back Activity



Regional comments from survey participants in MEA

Bahrain

Climate - very hot weather. - Manama

In Bahrain, investor participation is lower compared to other GCC countries. - Manama

Israel and Iran war. - Manama

Supply Chain Disruptions: Ongoing global supply chain challenges have caused delays and increased costs for imported construction materials, impacting project schedules and budgets locally. Labor Availability: Bahrain faces occasional labor shortages or fluctuations, especially with skilled workers, partly due to regional mobility restrictions and changing visa policies. Regulatory Changes: Recent updates in building codes and environmental regulations require contractors to adapt quickly. - Manama

Weak economy and supply more than demand. - Manama

In the construction market, factors such as fluctuating material costs, regulatory changes, and labor availability significantly impact operations. Additionally, supply chain disruptions and environmental considerations are increasingly influencing project timelines and budgets. Technological advancements and sustainability initiatives are also shaping industry practices and competitive dynamics. - Sitra

Botswana

Inflation. - Gaborone

Negative trade balance and depressed Government revenues. Stagnating economic environment. - Gaborone

Procurement corruption. - Gaborone

Inconsistent expropriation process, no code of conduct for the contractors and consultants. - Mogoditshane

Kenya

Government Policy, leadership, project financing & capital. - Nairobi

Kuwait

Kuwait Government has been slow to implement its development project plans. - Jabriya Kuwait

Compliance. - Kuwait City

Compliance with regulations by stakeholder. - Kuwait City

Mauritius

Since we are on an island, land and resources are scarce so we need to ensure that any development is sustainable. - All over the island

There has been some legislation changes regarding tax on construction lately so this has caused somewhat of a slow down regarding new projects. - All over the island

Research is low. - Bambous

Lack of labour, mainly skilled one. - Port Louis

Rise in cost of materials and shortage of labour. - Port Louis

Increased taxation. - Quatre Bornes

Morocco

The structural imbalance between supply and demand makes the market very speculative! - Témara

Nigeria

Low initial cost of construction continues to be the dominant value criteria for most clients, especially in the public sector. - Abuja

Market inflation. - Dutse

Client response to contract terms. Non-professionals take over construction business. - Lagos

Inflation rate unpredictability. - Lagos

Low interest in skills acquisition: Tradesmen. - Lagos

The unavailability of funding to low/middle class earners to be able to access low interest rate loans to be able to embark on coat intensive projects. This is further complicated with the inability of government or even private individuals to build for low to middle income earners. Hence we have not even gotten near our full potentials as a society. - Lekki phase 1

Low private sector projects. No competitive tendering on public projects. Low construction activities. Low organised construction Company or consulting firms. Surplusman power bu low specialized professionals. - Yenagoa

Oman

1. Skilled labour shortage, & omanization policies- need upskilling local workforce
2. Slow adoption of modern sustainable methods - need boosting MMC & sustainable practice via incentives, standards and logistics planning etc.
3. Regulatory complexity & bureaucracy - increasing Regulatory transparency. - Muscat

The construction market in Oman is facing several challenges. Rising material costs and supply chain delays have increased expenses and extended project timelines. This puts pressure on companies to manage budgets and schedules effectively. - Muscat

Qatar

Benign conditions. - Doha

Delay in Government payments, although it has somewhat improved in the second quarter. - Doha

Funding. - doha

Government regulations and policies. - Doha

Lack of huge public projects since government is the biggest client in the construction industry. - Doha

Lack of local manufacturing sector. - Doha

Lack of new upcoming projects. - Doha

Market is subdued. - Doha

Political issues in the wider Middle East region potentially is affecting client's

decisions on proceeding with projects although Qatar itself is stable and safe, recent Israel/Iran conflict has shown that Qatar is not immune to the collateral effects of events in the wider region. - Doha

Political uncertainty in the region. - Doha

The State of Qatar is officially "dead" in terms of Construction Projects post FIFA 2022. - Doha

Don't feel like there are new projects that are being started for the next 3 months. - Doha City

Saudi Arabia

Remote location, insufficient transport and communication facilities. - Al wajh

Sustainable goals along with KPIs to be delivered during project execution, most KPIs are not measurable which confusing contractors. Sustainability and Environmental Reporting Requirements are not workable. Such tender requirements are positively driving biodiversity, climate resilience, sustainability and circular economy, however the whole value chain in construction industry is not ready for data collection and implementation, too complex to achieve those requirements. - All above countries

Remote location, tariffs, law changes related to use of compulsory Saudi materials. - Alula

Shortage of skilled labour. - Dhahran

Competition to create fair market participation. - Gayal

Severe weather during the summer. - jeddah

Tight project delivery time. - Jeddah

Changes to visa regulations for eligible countries reducing ability to plan long term for recruitment. - NEOM

Due to a remote area, less number of Contractor companies are exists and thus less proper professionals are in contractor companies. - NEOM

Recent wars and uncertainty in the region have pushed the construction cost. - Riyadh

Budget availability for Vision 2023; moratorium on employment. - Riyadh

Culture, and shortage of resources. - Riyadh

Funding. - riyyadh

Global business investment has decreased due to conflict and instability in the region. - Riyadh

Global conditions. - Riyadh

High volume of work continues in KSA however this will lead to inflating prices and skills shortages in the market. - Riyadh

Hot weather - Riyadh

Saudi Arabia is a hot market. My role is govt client and budget constraints are now biting. Maybe short term. - Riyadh

Shortage of professionals - Riyadh

Slowdown in project awards - Riyadh

Supply & Demand issues driving tender

Regional comments from survey participants in MEA

price inflation due to large number of projects committed to by the government. - Riyadh

South Africa

In South African market the major focus is energy efficiency, water supply and conservation and resilient building infrastructure. These are promoted by the government but no mandatory rules in government works however this is more private client focus and enforced in procurement and processes. - Cape Town

Municipal by-laws and zoning schemes dictate maximum building coverage, floor area ratio (FAR), and building height. Land use restrictions can limit the type and extent of development. Heritage and environmental protection zones may also restrict the construction footprint. - Centurion

Consistently very long delays in payment of service providers by State entities - Dannhauser

Non-payment of both contractors and consultants - Durban

Corrupt activities - Johannesburg

In south africa our government is more concerned in employment equity than it does in meeting commitments made to larger stakeholders in the international sphere to reduce our environmental footprint. We are still burning more diesel and coal than most an it is diheartening to have to deal with cadre deployed officials who have little interest in steering the country towards prosperity and are more concerned where they can make money(personally and often in corrupt deals) South africa is not easy - Johannesburg

infrastructure delivery in backlogged and Govt are struggling to move the dial - the RICS could offer assistance - Johannesburg

Sustainability is not something that is being embraced in the construction due to lack of funding. - Johannesburg

Political issues remains a problem - Rustenburg

Tanzania

Government policies targeting construction sector for tax revenues - Dar es salaam

United Arab Emirates

As a Quantity Surveyor in Abu Dhabi, key issues include rising material and labour costs, pressure to meet sustainability targets (e.g. Estidama), and limited skilled workforce. Digital adoption like BIM adds value but requires investment. These factors directly impact cost planning, procurement, and project timelines. - Abu Dhabi

Changes in govt policies. - Abu Dhabi

Client looks for cost saving instead of putting environmental concerns as priority. - Abu Dhabi

ESG and carbon information depends on which Developer you review. With regards to environmental impact, it is evident by just driving around, how much damage is being done - in particular to mangrove reservations. - Abu Dhabi

High volume of residential sales planned and

happening - mainly off plan sales. - Abu Dhabi **Zambia**

International trade. - Abu Dhabi

Period of construction completion and parallel projects running in the same area that has to be integrated with the projects after completion. - Abu Dhabi

Skills shortages in degree qualified professionals is causing problems right now. This isn't being helped by a misconception that employers are paying "over market benchmarks". The low offered salaries that result are deterring good candidates. - Abu Dhabi

Wages of workers and salaries of staff are inadequate. - Abu Dhabi

Come and go of staff or skilled workers due to the changing market demands and open opportunities. - Abu Dhabi City

Adverse weather conditions, shortage of skilled resources. - Dubai

The govt mandated sustainability rating could have a large impact on society. - Dubai

Budget constraints and quick delivery schedules of project is effecting overall well being and leading to shortage of resources. - Dubai

Competition in the UAE construction market is intense. This has affected Contractor's profits compounded by rising cost of materials, unfavourable payment terms etc. - Dubai

Competition. - Dubai

Financial constraints, i.e. payment delays. - Dubai

Fire risk and the use of outdated combustible materials. - Dubai

Fund allocation & budget. - Dubai

Influx of immigrants. - Dubai

Regional instability in the Iraq/Iran belt also has impact on our construction businesses in the region. - Dubai

Saudi Arabia projects. - Dubai

The construction market in the area is being affected by several key factors, including a shortage of skilled labor, regulatory delays, occasional supply chain disruptions, and increased sustainability requirements. Additionally, market demand is shifting—residential remains steady, but commercial demand is declining. Higher interest rates are also impacting project financing, leading to more cautious activity among developers and contractors. - Dubai

Tightened project financing and developer risk appetite. - Dubai

Very high pricing from contractors & subcontractors. - Dubai

Volume of major projects running concurrently causes periodic difficulties. - Dubai

Control cost Materials / carbon foot print/ As well as Authority regulations / skilled workers. - Jlt

High and unstable exchange rates; High and unpredictable cost of fuel; High hours of load shedding - Lusaka

Zimbabwe

Lack of knowledge in sustainable development among professionals - Harare

Policy makers are not serious in formulating policies which are friendly to the construction market. There are no building societies to help to finance buyers to raise capital in the construction market. Policy makers should have policies which encourage investors to invest in the banking sector so that we can have more building societies and other finance houses to help people to raise capital for the construction industry eg buying land, building materials, equipment, education and training . - Harare

North America: Cost challenges persist but expectations for infrastructure works remain positive

The results across North America for the Q2 2025 RICS Construction Monitor (conducted in conjunction with CIQS in Canada) point to modest changes in general backdrop compared with the first three months of the year. Significantly, although the headline reading for the Construction Sentiment Index (CSI) in the USA remains solidly in positive territory, it is a little upbeat than in Q1 (Chart 1). Meanwhile, as far as Canada is concerned, the picture has very modestly improved according to feedback received but disaggregating the data a little further does highlight quite divergent trends across the industry.

Material costs remain a key concern

Even if the worst fears around tariffs don't appear to be playing out, concerns over the impact on costs are still strikingly evident in the results of the Q2 Monitor. In terms of current trends, net balances of 70% (down from 80%) in the USA and 53% (down from 67%) in Canada have seen building material costs increase over the latest three-month period. Moreover, when it comes to factors holding back activity, the material costs continue to be the most cited impediment, with three-quarters of respondents identifying this issue in the United States and three-fifths in Canada (a point highlighted in Chart 2). Indeed, in answering the question around twelve-month expectations, there is little sense that this pressure will ease anytime soon. For the USA, material costs are seen rising by a further 7% over this time horizon, while for contributors from Canada, the projection is stands at 5%.

Skill shortages still an issue

Although the cost of materials may be centre stage in much of the current feedback, concerns around skills and the implications for industry capacity have not faded. In both countries, it is the area of skilled trades that continue to represent the biggest problem. However, it is noteworthy that quantity surveying type skills also appear to be difficult to source with feedback from the USA also pointing to a shortfall in project managers.

Credit environment still unhelpful on balance

Financial constraints continue to be seen as a challenge for the industry with roughly half of respondents from both countries pointing out this obstacle. This is also reflected in the insights provided around credit conditions. In the case of the USA, a net balance of -23% indicate that they have worsened over the past three months. Moreover, the expectation is that they will change little over the next three and twelve months. As far as Canada is concerned, a net balance of -17% have seen a deterioration over the past quarter with the results at both the near and medium time horizons remaining modestly negative.

Infrastructure led workload growth anticipated

Chart 3 tracks expectations for construction workloads by sector in both Canada and the USA. Significantly, in both cases, infrastructure is viewed as likely to show the most positive trend. By contrast, for private residential activity, the numbers point to a very modest increase in activity in the USA and a flat trend in Canada. Meanwhile, the insight from respondents around the profits outlook shows a likely flat picture in Canada with a more encouraging story in the case of the USA.

Chart 1 - Construction Sentiment Index



Chart 2 - Key Factors Holding Back Activity

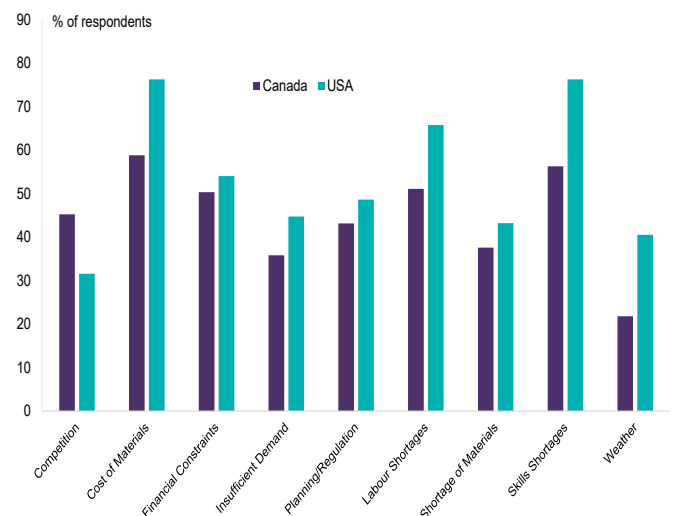
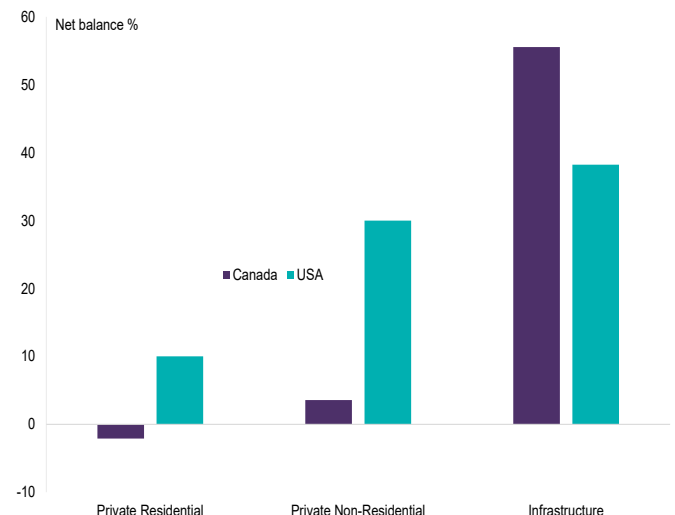


Chart 3 - Twelve-month Workload Expectations



Regional comments from survey participants in the Americas

Antigua

Insufficient skilled workers - St Johns

Barbados

Many 'old' technical methods in use, with no incentive to change. This is how the market from procurement to delivery is managed to maintain the status quo for those who benefit from the current set up - Bridgetown

Labour availability and skill is a big issue - Bridgetown

Canada

Building codes and environmental code requirements have increased so drastically that even though we work in one of the most expensive housing markets in the world, we are still not able to build for a low enough cost to turn a profit due to increasing building costs, and slow permitting processes from the municipalities - Abbotsford

Short of people - Calgary

The current provincial government does not have a positive outlook on building 'green' 'sustainable' etc and there is not much for incentives right now for renewables or reducing carbon - Calgary

Market uncertainty is limiting starts on private development - Calgary

Economy, housing sector, immigration levels, US tariffs - Calgary

Lack of understanding of economic fluctuations in high/low demand of building materials/labour concerning local, regional and global factors. Complete lack of preparation for future impacts of AI on all aspects of construction - Calgary

We are currently seeing approx 90% of projects tendered are considerably over budget in the infrastructure sector. These budgets are being prepared by owners, designers, and engineers - all of whom are underskilled to perform this work - Chilliwack

Lack of immigrants, lack of demand, over supply - Coquitlam

Skilled manpower - Etobicoke

Skilled labour - Greater Sudbury

The continual and increased threat of (unknown) tariffs are driving cost increases across the industry - Halifax

I'm afraid that sustainability doesn't jive with affordability. In this shrinking market, virtue become less a priority. We may don't like the carbon footprint of concrete although we don't see much data about the lifecycle of such product compared to others. Carbon footprint, sustainability, biodiversity are added layers with stakeholders who have different opinions about construction issues and the cost related to it - Kelowna

Iminent threat of tariffs from the USA with the new President. A shortage of skilled labour. High demand for construction resources. A high level of approvals needed from all levels of Government (municipal, provincial, and federal) hinder the approval process for new projects - Kelowna

Many do not work with a matrix structure based on project and activity management - Laval

Electrical power upgrades to serve electrification projects are the issue currently. Long lead times, rising costs, etc. - Oakville

Sustainability requirements seem to be more government-driven be it on the federal or local government levels. Private developers seem to decide on a building-by-building basis based on the requirements from the stakeholders - Ottawa

Volatility caused by tariffs from the US remains a high risk. This however has created more supply of Canadian steel in the Eastern

part of the country. Recently, we have seen very competitive steel pricing tenders - Ottawa

Tariff increase placed by USA on some of the construction materials - Regina

Still unknown the cost impact of the tariffs wars - Spruce Grove

Tariff and steel/aluminium tax affecting tender price - Toronto

Increase in material costs and Increase in tender results - Toronto

Tariff, sustainability, construction prices, economy downturn, over supply of housing in previous years - Toronto

Volatility in supply chain - Toronto

Awareness of the public in environmental impacts - Toronto

Uncertainty due to tariffs is causing owners to pause projects - Vancouver

We see a slower than usual housing market which slows construction as well. Lots of uncertainty due to the ongoing trade war with USA. Lots of government regulations drove away foreign investors and market is cooling down - Vancouver

High land costs, high municipal fees and development cost fees and levies - Vancouver

The real estate market is currently experiencing instability, which is contributing to uncertainty in the construction industry. Fluctuations in property values and buyer demand are affecting project financing, investment decisions, and overall market confidence - Vancouver

Supply disruptions arising from trade barriers and other geopolitical factors have destabilized pricing and product and material availability - Vancouver

Tariffs affecting confidence, credit and material supply - Vancouver

Cost of financing, increasing development fees, increases in construction costs and reductions in property values are negatively impacting our ability to bring projects to market - Vancouver

US instability and tariffs, Provincial and Federal Government funding pauses for capital project - Vancouver

Reducing labour pool with the incoming workforce having different different mindsets and attitudes from those retiring out of the workforce. Government driven housing projects are ensuring a relatively stable market (prices not reducing) when reductions should be occurring which could lead to issues when the private market recovers could lead to reinforced affordability issues - Victoria

Changes in seismic code specific to Vancouver Island - Victoria

Cost of construction and the concern about the USA's tariff impact on the economy are keeping investors on the sidelines until they can forecast where the market is headed - Windsor

No real factors to consider this quarter, summer is busy for all sectors in Manitoba - Winnipeg

Cayman Islands

Trump tariffs - George Town

Material Cost - George Town

Jamaica

Rising Cost in materials and labour, Skilled workforce, availability and accessibility of funding - Kingston

Regional comments from survey participants in the Americas

Trinidad and Tobago

There is now an increasing trend towards alternate energy supply with increasing focus on solar energy in particular. The Government has announced grand plans for solar farms but they remained just plans for the last three years or so. The large capital cost and long payback period may be the controlling factors given that natural gas is produced in Trinidad and Tobago - St. Augustine

United States

Impact of US Tariffs is unknown - Alpharetta

Contractor profitability is expected to come under pressure due to reduced public sector spending and increased competition - Chicago

Business is rushing things for profitability than considering sustainable construction. eg. Data Centers - Columbus

Uncertainty in weather, tariffs, rapid developments in technology - Houston

Permitting and regulation - Houston

Title 24 - State Mandated Practices = LEED Silver - Los Angeles

Lack of skilled labour - Los Angeles

New Tariff policy. New immigration policies - Mercerville, NJ

The two biggest factors contributing to the construction market in New York are uncertainty around Tariffs (tariff %'s and implementation dates) and decision date delays by New York planning boards (especially District 5 / Midtown Manhattan) - New York

Skills - New York

NYC Higher Construction Costs / Higher Labor Rate (Union) / time will tell with Tariffs / Note for our Florida Region - Higher Insurance Costs (Windstorm) / Labor Shortage - New York

The market is suffering from regulatory uncertainty, sharp labor contractions, and material cost volatility that are a direct result of the current administration's chaotic policies. Funding for operations, maintenance, and capital projects that has been planned for years is being revoked. The dumbest trade war in history has disrupted the supply chain yet again, for no good reason. ICE raids have squeezed the labor pool for both documented & undocumented workers. It's not going well over here - Norman

Diesel generators and construction equipments - Orlando

Labour shortages - San Francisco

Construction projects are plentiful. High demand for labor, particularly skilled - Scottsdale

Controlling emissions on backup generators is huge, with increased requirements for SCRs and limited run time to control operational emissions. Availability of Grid Utility continues to be the biggest driver to Data Center construction. Limited skilled labor, particularly in mechanical and electrical markets, especially as Data Center builds are getting bigger and being developed in more remote locations - Tampa

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 11 June 2025 with responses received until 28 July 2025. 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 2119 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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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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