ECONOMICS

Global Construction Monitor

Q3 2022

ECONOMICS

Global construction activity losing momentum in the face of deteriorating macro outlook

- Global Construction Activity Index moderates for a third successive quarter
- Private residential and commercial workloads falling in Europe and APAC
- Conditions more resilient in MEA and the Americas, with output continuing to rise across all sectors (albeit more modestly in some areas)

The Q3 2022 Global Construction Monitor results point to a flatter profile for overall activity this time round, with the deteriorating economic backdrop across many parts of the world leading to a loss of momentum. That said, some regions continue to see a solid expansion in construction workloads despite the broader global narrative, with the Middle East and Africa region in particular standing out as bucking the wider trend.

Construction Activity Index turns broadly flat

At the aggregate level, the headline Construction Activity Index (CAI) slipped to +3 from a reading of +12 previously. As such, this measure has now softened in each of the past three reports, with the latest reading now indicative of a more or less flat overall trend coming through. When disaggregated at the regional level (displayed on Chart 1), the latest results show a divergent picture. Whereas the CAI fell into negative territory across Europe (posting a reading of -10 compared to +5 last quarter), the latest reading in MEA actually improved slightly (rising to +20 from +18). Meanwhile, although the CAI remains comfortably in positive territory across the Americas at +21, this has moderated noticeably from a recent high of +51 seen just two quarters ago. For APAC, the CAI fell to -1 from +5 last time, marking the weakest return in this region since the early stages of the pandemic.

When viewed at the country level, Saudi Arabia, India and the UAE are the standout performers in terms of the latest CAI data. Indeed, the headline index picked-up in each instance relative to last quarter and is signalling a robust pace of construction output growth. At the other end of the scale, Sri Lanka, Germany, China and France all posted negative CAI readings in the latest results, thereby pointing to a deterioration in market conditions over the quarter.

Private residential sector expectations scaled back significantly across most regions

Perhaps unsurprising given the impact of higher interest rates on housing market activity and pricing in many parts of the world, expectations for private residential construction workloads over the year ahead have been pared back noticeably (chart 2). This turnaround is most apparent in Europe, where a headline net balance of -5% of respondents now foresee a decline in private residential workloads in the next twelve months. This marks a real contrast to a net balance of +40% of contributors expecting housing workloads to rise just two quarters ago. Similarly, private residential workloads are no longer anticipated to post any real growth in both the APAC and Americas, with the net balance falling swiftly from +22% to +5% across the latter). By way of contrast, the outlook for residential construction activity remains

Chart 1 - Construction Activity Index by region

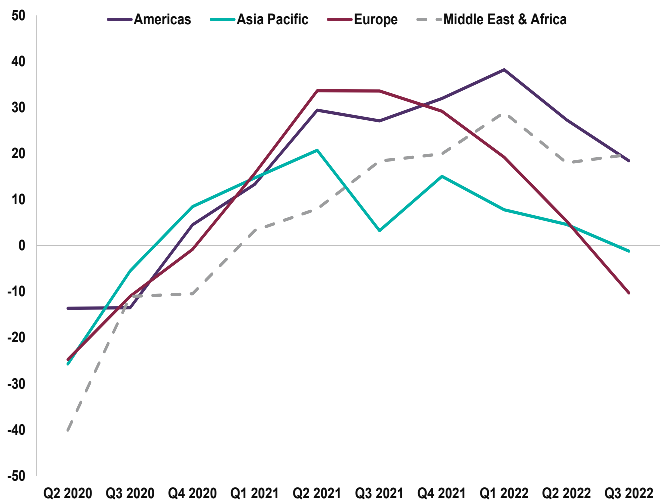
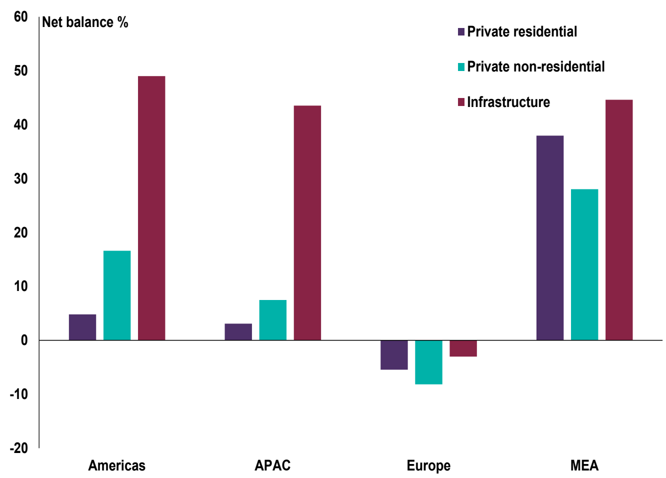


Chart 2 - Twelve-month Expectations by sector



robust across MEA, with a net balance of +38% of contributors expecting an increase in the year to come.

Likewise, private non-residential workloads are also seen rising across MEA, evidenced by the latest net balance reading of +28% (albeit this is somewhat more modest than a figure of +43% beforehand). Private non-residential workloads are still expected to pick-up across the Americas, with the net balance coming in at +17% although, again, this is much softer than the readings being posted earlier in the year. Meanwhile, across APAC, the outlook for private commercial construction starts is marginally positive, although this masks divergent trends at the country level. Leading the way across the region, respondents in India expect solid growth within the non-residential sector. In Europe, respondents in aggregate are now of the view that private commercial workloads will decline over the next twelve months, with this metric turning outright negative for the first time since 2020.

Looking at infrastructure, workload expectations for the year ahead remain generally upbeat, with the net balance of respondents anticipating growth in output across the sector above 40% in the Americas, APAC and MEA. Europe is the clear laggard, returning a net balance of -3%, which is consistent with a largely flat trend in infrastructure workloads at the twelve-month time horizon. Even so, nations such as the UK, Ireland and Romania do display a solid outlook when it comes to infrastructure.

Employment levels still seen rising globally

At the worldwide level, a net balance of +15% of respondents expect headcounts to rise across the construction industry over the next twelve months. Although still positive, this is the most modest reading since the end of 2020. Chart 5 on the following page shows the breakdown of current and expected construction employment trends across each country covered. Respondents in Saudi Arabia, India and the United States are most optimistic on the employment outlook for the year ahead. By way of contrast, headcounts are expected to be cut in Sri Lanka, China and Italy.

In a series of extra questions included in this quarter's survey, there was a focus on productivity in the

Chart 3 - Construction Activity Index by country

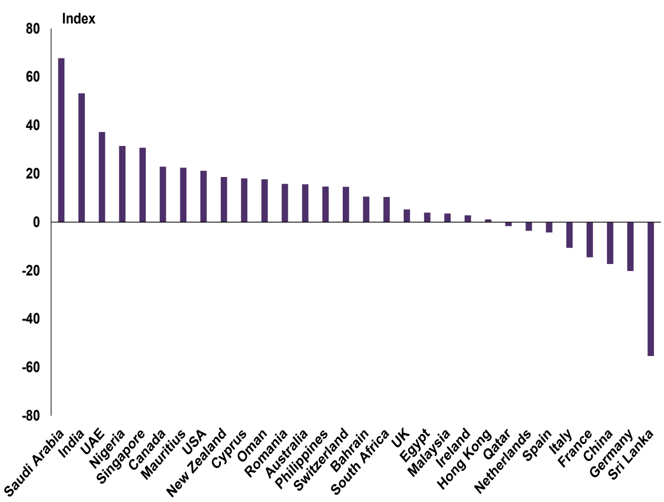
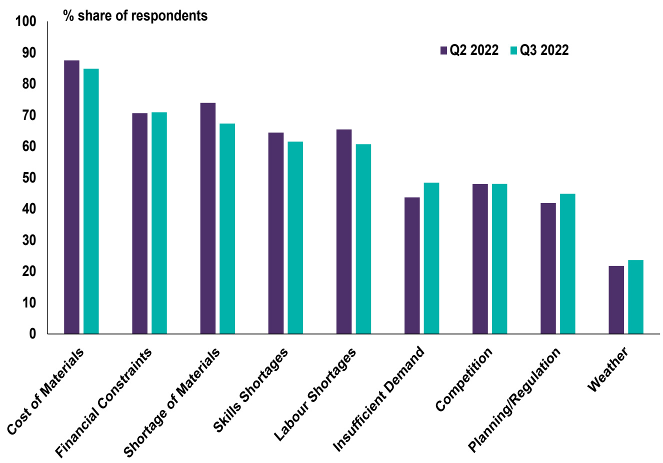


Chart 4 - Factors Limiting Construction Activity



construction industry. Respondents were asked for their assessment of changes in labour productivity over the past twelve months (in the case that this was something they measured). At a global level, the net balance result was just +4% which is indicative of little change in labour productivity over the past year (chart 8). When looking ahead however, 60% of survey participants do expect productivity to improve over the course of the next twelve months (chart 9). When asked how this would be achieved, the largest share answered by upskilling the workforce (25%), while 19% said productivity gains would be achieved via greater investment in data/digitisation for the management of the design and construction process (chart 10).

Material costs remain the most significant factor holding back the market

As has been the case for much of the past two years, rising material costs remain the most significant barrier to market activity, with 85% of respondents worldwide highlighting this issue (chart 4). Although this is likely to remain a major impediment for the foreseeable future, there are at least tentative signs that inflation in this area may have peaked. For the coming twelve months, respondents project material cost inflation coming in at 7.5% which, although still extremely elevated in a historical context, is down from 8% and 9% in Q2 and Q1 respectively (chart 6). Even so, given tender prices are not expected to keep pace with the overall increase in construction costs, the outlook for profit margins is negative at the aggregate level (net balance slipped to -6% from -2% previously). That said, as in keeping with other results, the feedback around the profits outlook remains slightly more positive in the MEA region (+8% in net balance terms).

Aside from material costs, financial constraints are the next most widely cited factor thought to be hindering output across the construction industry. With interest rates rising across much of the globe, the share of respondents reporting financial conditions as an obstacle has gradually risen from 62% at the end of last year to 71% in the Q3 results. Alongside this, materials and skills shortages also remain prominent, albeit the share of contributors noting these issues has fallen marginally over the past two quarters at the global level. Still, a majority of contributors report difficulties finding skilled trade workers and project managers.

Chart 5 - Industry headcount trends by country

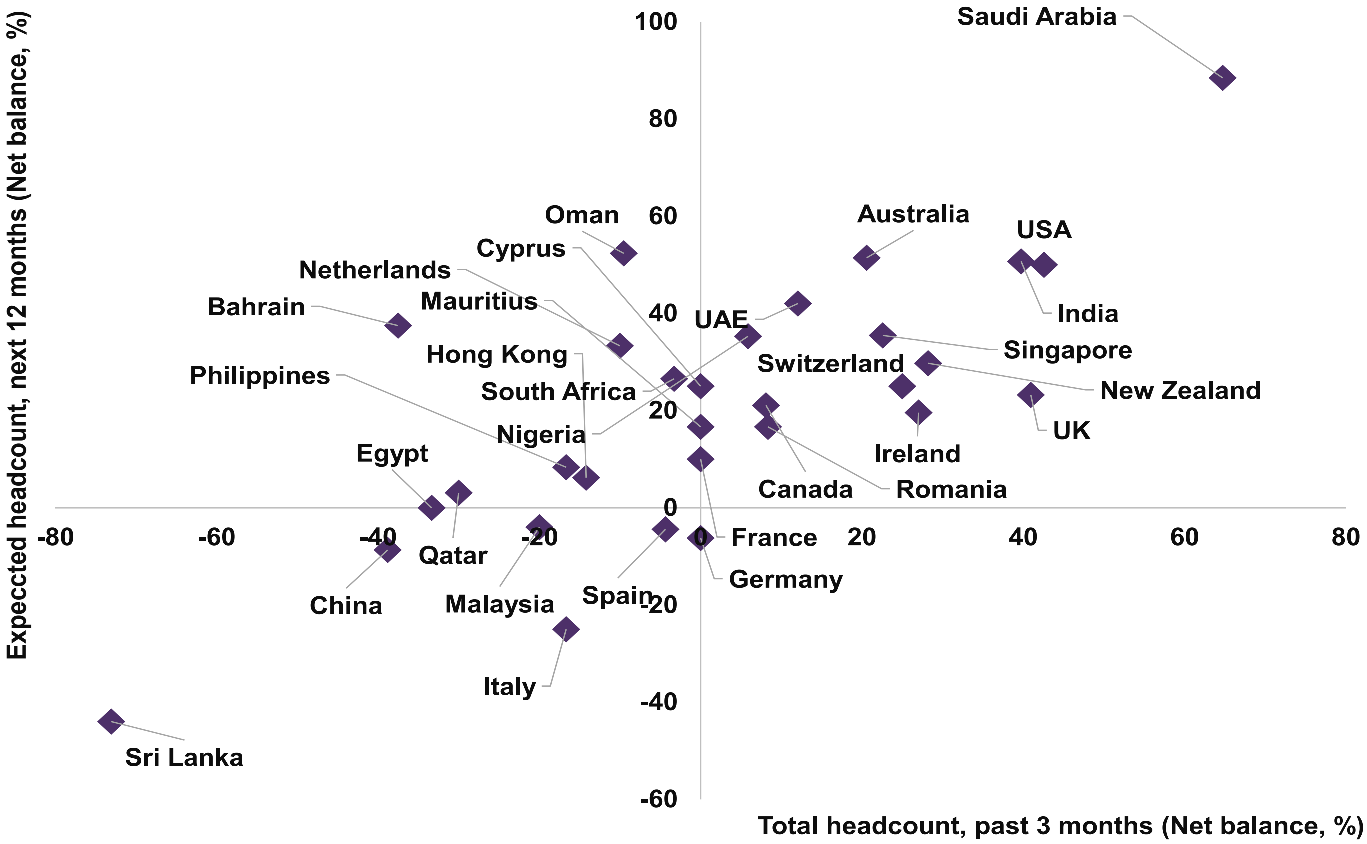


Chart 6 - Twelve-month cost projections by region

Chart 7.

Construction productivity measurement frequency global average

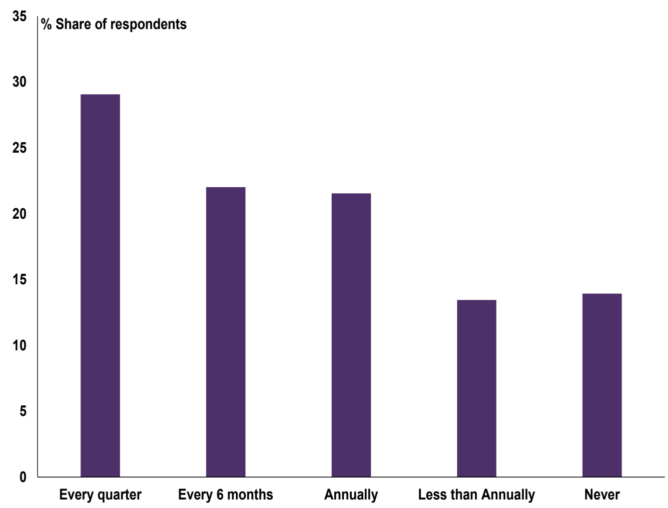


Chart 8.

Change in productivity over the past twelve months by country

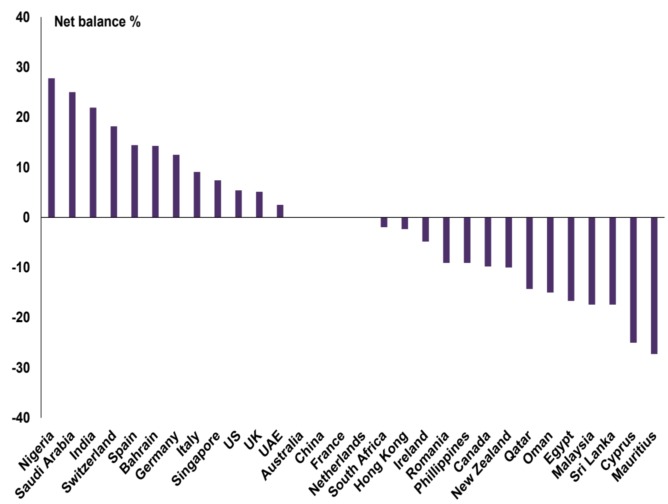


Chart 9.

Share of respondents expecting to see some degree of productivity improvement over the year ahead

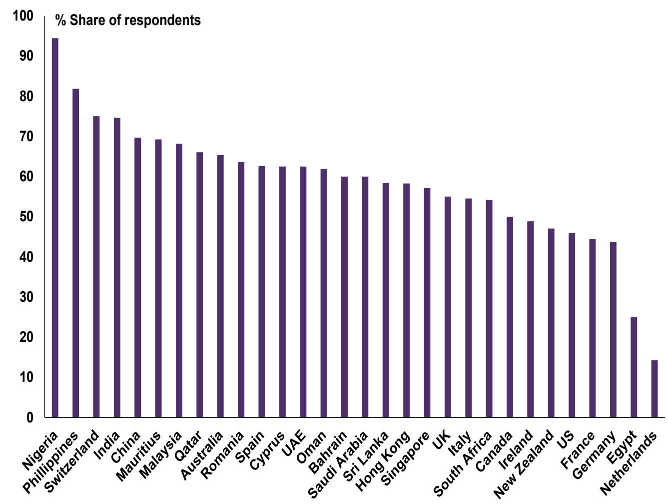
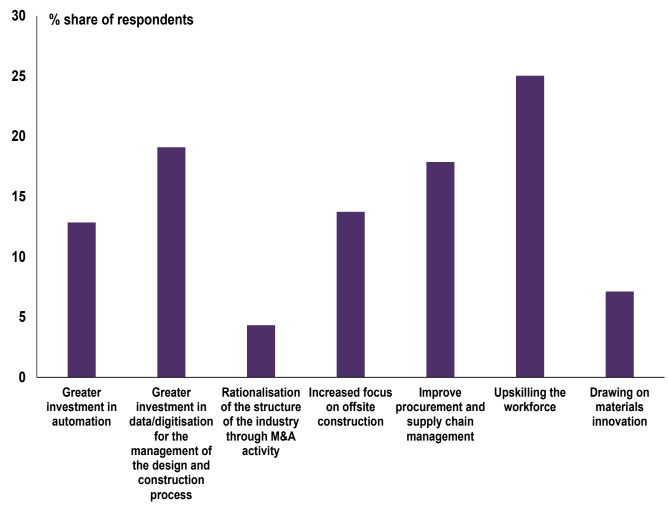


Chart 10.

Planned method to increase labour productivity global average



APAC: Flatter headline Construction Activity Index masks more mixed picture at country level

The Q3 2022 GCM results for APAC show aggregate construction activity for the whole of the region remains broadly neutral with the headline Construction Activity Index (CAI) slipping slightly (+5 to -1). Macro headwinds are providing, as elsewhere, a greater challenge but this is more marked in some countries than others; indeed, a number are continuing to display considerable resilience. High inflation is a particular hurdle for the construction industry in many APAC economies with rising interest rates adding to the burden of financial constraints.

Countries show different momentums

As is illustrated in Chart 1, the headline CAI's for India and Singapore remain firm and indeed show a modest improvement compared to Q2 (+50 to +53 and +24 to +31 respectively). New Zealand and Australia also report solid levels of activity persisting for now. In contrast, Malaysia and Hong Kong recorded near-zero readings (+4 and +1) over the last quarter, reflecting in part the weakness in domestic demand. More noticably, the feedback from China and Sri Lanka is still very downbeat; the CAI reading for the former of -17 was marginally less negative than in Q2 while for the latter, it actually slipped further dropping to -55.

Infrastructure is no longer the sole driver across markets but remains an essential component

In general, the infrastructure workloads indicator continues to show a firmer trend than the other two sectors across the region; this is the case in 7 of the 9 markets, most notably in Australia (+58%), Malaysia (+18%) and Hong Kong (+23%). The two exceptions to this pattern according to the insights provided by respondents are in the Philippines where the read for this metric fell from a net balance of +42% and Sri Lanka where is now stands at -89% (compared with -78% previously).

Chart 2 captures the broader picture on sector workloads at a country level. Significantly, residential activity remains particularly firm in India, Singapore and Philippines according to the Q3 Monitor. with the expectations series suggesting this trend will persist over the next year at least in the first two of the markets. The shifting mood towards housing is, however, more visible in some other countries. So, for example, in Australia the forward-looking residential workloads indicator has fallen from +2% to -25% in net balance terms. Meanwhile, the picture in China looks to be worsening with the latest 12 months expectations net balance slipping to -19% from -7% previously.
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Material cost and financial constraints continue to hold back construction activities

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 9 markets (all readings above 80%) as is illustrated in Chart 3. This is followed by financial constraints. Perhaps unsurprisingly, the respondents in China also point to increasing concerns regarding an insufficient level of demand (91%).The headline read for skill shortages was slightly lower than in Q2 but still above 50%. But there is again quite a wide variation in the responses to this issue at a country level. In Singapore, it was highlighted by 85% of contributors with the results from Australia not dissimilar. In both countries, recruitment of skilled tradespeople was viewed to be an area of particular concern.

Chart 1 - Construction Activity Index

Chart 2 - Current Workloads by Sector

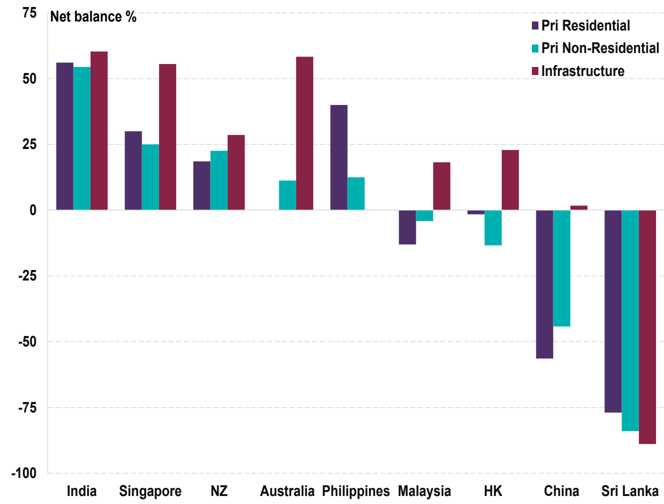
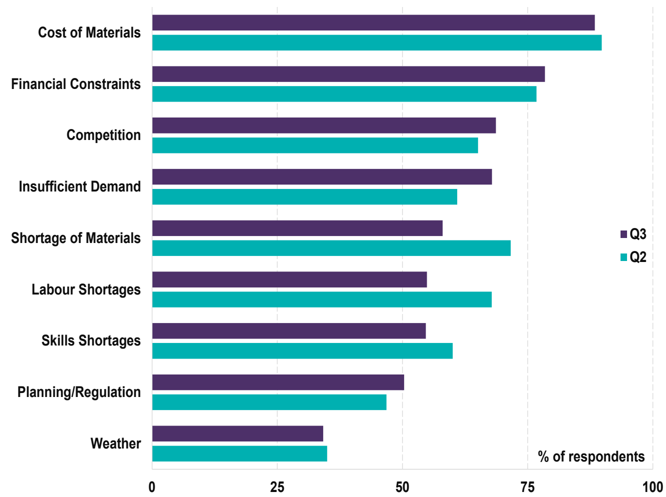


Chart 3 - Key factors holding back activity across APAC



Regional comments from survey participants in APAC

Australia

The lack of the use of standardized method of measurement by industry. - Adelaide

Labour shortages and higher material costs. - Adelaide

Labour and material are the huge factors disrupting the industry in post covid era. - Brisbane

Construction market has been severely impacted by adverse weather events. - Brisbane

Reluctance by tenderers to commit to pre-determined construction time frames. - Brisbane

Lack of competition due to skills shortage and licenced contractors. - Cairns

Overheated market significantly impacted resources - people & materials. - Sydney

Massive infrastructure spending resulting in very tight labour market esp. contract admin. - Sydney

Covid, Materials Availability, Lack of Skilled Trade Resources & Procurement Factors. - Sydney

Government client procurement appetite for very low tenders and competitors undercutting market. - Sydney

Inflation, labour shortages, subcontractor shortages, Skills Shortages. - Sydney

China

Covid-19 related work stoppages, labour shortage and materials delivery problems. - Beijing

Insufficient demand to support recovery of construction industry. - Beijing

Policy and labour shortage push up the construction cost. Purchasing demand reduction leads to jumps in financial cost. - Beijing.

Covid in the past 3 years puts great pressure on the economy, especially the corporates. - Chengdu

Delays in developers' payment. - Chongqing

Covid thearts investors and dampen the industry prospect. - Guangzhou

Application of IT and smart design could reduce human cost. - Jinan

Materials and labour costs increase. - Nanjing

Housing market policies and funding sources. - Qingdao

Covid causes rising cost and project delays. - Shanghai

Covid, trade conflicts and supply chain costs. - Shanghai

Shortages of materials, especially chip for automation. - Shanghai

Gloomy prospect with decreasing demand. - Shanghai

Covid dampens both business owners' and investors' expectations and consumers' willingness to purchase property. - Shenzhen

Vacancies in offices and malls are pushed up by Covid restrictions and negatively influence the construction and investment. - Shenzhen

Professional skills need to be improved in Xinjiang. - Urumqi

Real estate market may see recovery in 1-2 years. - Xi'an

Hong Kong

Material cost increase and lack of skilled labour and professional. - Hong Kong

Adopting the Modular Integrated Construction method and the Building Information Modelling technique. - Hong Kong

Cumbersome procedure, decline mentality, unwilling to sacrifice. - Hong Kong

Shortage of professionals due to migration and retirement. - Hong Kong

Tender evaluation based on the tenderer who offer lowest tender price. - Hong Kong

Interrupted supply of materials and anti-pandemic measures adopted by the Government. - Hong Kong

Labour shortages and rising cost of materials and workers. - Hong Kong

Dropping down and pulling away the financial investment to other countries. - Hong Kong

India

Contracts and change management are the areas where most of the professionals lacks in implementation. - Baroda

Delay in deliverables from consultants. - Gurgaon

Supply chain disruption of Tiles manufactured alone in Morbi, Gujarat for entire India. - Bangalore

Weather condition as well as Fluctuation of Material Costs after COVID and labour productivity. - Bangalore

Frequent changes on Govt rules, Unpredictable Monsoons, Heavy rainfalls, Inflation. - Chennai

Rise in material cost, shortage of skilled manpower, poor quality of material, poor workmanship. - Chennai

Rising input costs of material, energy, and labour. Rapid changes in procurement strategy. - Ghaziabad

Opportunities for value engineering seem very limited while the requirements are going up. - Hyderabad

Inadequate qualification and experienced staff in contractor & client teams. - Karwar

Construction Market is affected by lack of Skilled & experienced manpower/engineer. - Mumbai

The global demand for industrial projects shifting from China to India is main factor. - Mumbai

The major factors are the uncertain markets and bank lending along with sales. - Mumbai

Shortage of commodities like fuel supply and increase of commodity prices like cement and steel. - New Delhi

Ethics and code compliance violation are two major issues in India. - Noida

Demand is more but lack of skills is a hurdle which can be moved out only with upskilling. - Pune

Malaysia

Confidence in the market is lacking. Most people are concerned of the uncertain global economy environment. - Johor Bahru

Unrealistic unsustainable pricing due to over competition, weak and desperate behaviours. - Kota Kinabalu

Currently we are facing shortage of labour due to slow returning of foreign labour. - Kuala Lumpur

Instability in politic, inconsistency in policy (between enactment and enforcement), red tapes. - Kuala Lumpur

New Zealand

Interest rate increases dampening demand. - Christchurch

Climate action plans and regulations. - Christchurch

Covid "tail"; supply chain logistics; general election next year; war in Ukraine. - Christchurch

Rising interest rates, and falling house prices. - Wellington

Young talent departing offshore (pent up over Covid). - Wellington

Philippines

Low demand in modern construction materials. - Lala

Inflation. - Makati

Singapore

Shortage of Workers and Escalating Prices of Construction Materials due to Supply Chain Disruptions. - Singapore

Work from home attitude negatively impact on well-being, professional & development & productivity. - Singapore

Sri Lanka

Political instability, fuel shortages, transport disruption and power outages. - Colombo

No economicl and political stability and floating the USD against Rupees in Sri Lanka. - Colombo

Depreciation of Sri Lankan Ruppe against the US Dollar. - Hambantota

Rupee depreciation is impacted to Sri Lankan construction industry. - Matara

Europe: Economic pressures negatively impacting the construction sector

The Q3 2022 results for Europe point to a significant slowing in momentum within the construction sector across many parts of the continent, as high energy prices and falling consumer confidence weigh heavily on the broader economy. This weakening in conditions is reflected throughout all European markets covered, with twelve-month expectations now signalling little in the way of growth being anticipated over the coming twelve months.

Construction Activity Index softens in all markets covered

At the aggregate level, the CAI slipped to a reading of -10 in Q3, down from +5 last quarter. This represents the weakest reading for the headline gauge since Q3 2020, with all European markets covered seeing some degree of deterioration/easing. Shown in Chart 1, Germany now exhibits the most downbeat CAI reading on a national level comparison, posting a figure of -20 (declining from +8 beforehand). Similarly, negative readings were also posted in France, Italy, Spain and the Netherlands. Meanwhile, although the UK and Ireland returned marginally positive CAI figures in Q3, the latest returns are significantly less bullish than in the previous quarter.

Looking ahead, twelve-month workload expectations at the pan-European level were downgraded substantially in the latest results. Indeed, as illustrated in Chart 2, respondents now foresee a drop in output across the private commercial and residential sectors in the year ahead, while the outlook is broadly flat for infrastructure. For the private residential sector in particular, this marks a sharp turnaround compared to the relatively buoyant assessment for workload prospects seen at the start of the year.

At the country level, private housing construction activity is seen falling in Germany and the Netherlands over the next twelve months, while respondents across the UK now foresee a broadly flat picture coming through. For private non-residential workloads, survey participants in Italy and Germany are most pessimistic regarding the twelve-month outlook.

With respect to employment expectations across the industry, the latest net balance for Europe as a whole of -3% (down from +16% last quarter) is indicative of a broadly flat trend in headcounts emerging over the year to come. That said, respondents in some areas such as the UK, Netherlands , Switzerland and Romania are anticipating a rise in employment over the next twelve months.

Elevated costs expected to erode profit margins

In the face intense input cost pressures, contributors foresee a slightly more significant narrowing in profit margins over the year ahead. During Q3, the headline net balance for the profit margins expectations indicator slipped deeper into negative territory at -29% (compared to -20% previously). Moreover, with the exception of Switzerland, each European market covered is expected to see a decline in profit margins in the year to come. This message is also apparent when looking at respondents' projections for tender prices and construction costs over the twelve-month horizon, with growth in the latter expected to further outstrip the former now (mainly as a result of tender price forecasts being trimmed somewhat).

Chart 1 - Construction Activity Index by country

Chart 2 - Twelve-month expectations

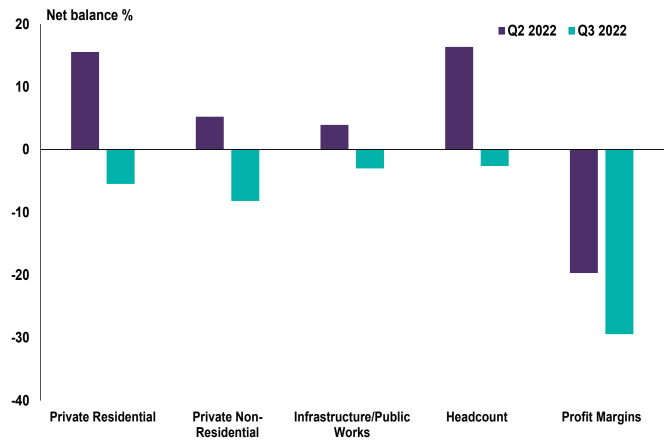
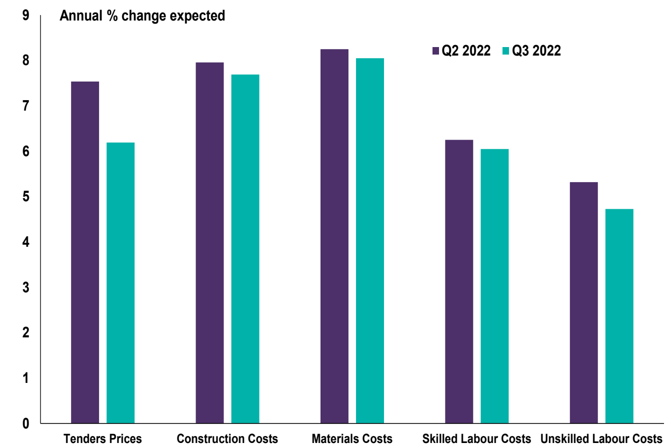


Chart 3 - Twelve-month price/cost projections



Regional comments from survey participants in Europe

Austria

Energy and inflation are having a significant impact. - Vienna

Cyprus

Brexit has caused, and continues to cause, massive financial and time implications on all works activities. - Larnaca

France

Price of land rising sharply. - Occitanie

Uncertainty. - Paris

Germany

The war is having an impact on demand. - Frankfurt

Distorted and dramatised picture. - Hamburg

State regulation and support measures can no longer be planned. - Hamburg

Greece

Distorted and dramatised picture. - Athens

Hungary

Unpredictable political influence. - Budapest

Ireland

Materials inflation is an ongoing issue in regards to developing fixed price tenders. - Cork

Issues as a result of the Ukraine conflict.- Cork

Brexit and compliance with Construction Products Regulations. - Dublin

Lack of decision making from Clients. The housing crisis drives the lack of skilled professionals. - Dublin

Italy

A lack of skilled bricklayers is a real problem. - Milan

Netherlands

Nitrogen deposition, limited stock of building plots. - Amsterdam

Poland

High inflation and interest rates are impacting new starts and will result in reduced margins. - Warsaw

Portugal

Licensing processes. - Lisbon

Romania

Energy crisis, Ukraine war. - Bucharest

Slovenia

Unreliable in terms of time planning. - Ljubljana

Spain

The shortage of materials is the cause and also the excuse for the rise in prices. Vocational training. - A Coruña

Lack of qualified construction companies with trained technical personnel. - Alicante

Uncertainty in material delivery times by suppliers.- Almeria

An existing mismatch between cost and sell prices, productivity, and profit margins. - Barcelona

Supply of materials. Lack of skilled labour. - Burgos

Better wages increase productivity. - Candelaria

Financing costs are higher than in previous periods and it does not allow leverage. - Madrid

Absence of workers and specialised companies. - O Barco de Valdeorras

Sweden

Supply chain issues on certain materials. - Stockholm

Switzerland

Too high planning costs, no efficient planning. - Zürich

Insufficient tenderers. - Zürich

United Kingdom

Supply chains, increased cost of living, and shortage of skilled professionals. - Birmingham

Labour and supply chain shortages, or bottlenecked supply chains, are pushing construction costs. Belfast

Market uncertainty due to latest UK mini budget. - Belfast

Supply chain issues - energy is buoyant due to transition to renewables and simply overheated. - Boston

The main factor is uncertainty, which is driven by inflation. - Chesterfield

Planning delays. Brexit has disrupted supply chains. There is also a lack of quality checks at building suppliers. - Derby

Changing client requirements with regards to energy performance and net zero. - Glasgow

hortages of skilled labour and contractors, and material prices are the biggest threat. - Edinburgh

High costs due to material and labour shortages, affecting client's disposition and financial viability. - Leeds

Lack of skilled resources. - London

Continued effect of increased energy costs and market uncertainty caused by Ukraine/ Russia war. - London

General uncertainty around energy costs, labour, and materials availability. - London

A combination of Brexit, the current war, and the energy crisis. The consumer will not have spare money for my fee. - London

Lack of materials, skilled and unskilled labour. High energy costs and inflation, and regulations. - London

Long lead times on material procurement and shortages of skilled labour. - London

Interest rates. - Manchester

Getting materials at a reasonable cost and with a reasonable delivery time is a problem. - Manchester

Middle East and Africa: Construction sentiment remains upbeat as are expectations

In contrast to the feedback from construction industry professionals in many other parts of the world, the insights provided by those working in the Middle East are notably more positive. That isn't to say there aren't challenges, some of which are captured in the anecdotal comments provided on the following page, but the overarching tone is an upbeat one. This is most visible in the headline Construction Activity Index (CAI) for the region which remains firm at +20 compared with +18 in Q2. Chart 1 delves down in the disaggregation of this series at a country level; it suggests the mood music is particularly robust in Saudi Arabia where the CAI stands at +68, the UAE (+37) and Nigeria (+31). A common strand running through these countries is that they are significant beneficiaries of the jump in oil prices resulting from the ongoing war in Europe.

Financial picture remains a challenge

Significantly, despite the generally sanguine tone of respondents to the latest Monitor, a number of important areas of concern are being raised. When asked about key factors holding back activity, financial constraints were highlighted by 85% of contributors which is not dissimilar to the reading for Q2. The full set of results to this question for the region in aggregate are shown in chart 2 and indicate that material costs and skill shortages are also key issues for the sector. Specifically on the finance question, it is noteworthy that the profits margin metric for the whole of the MEA remains deep in negative territory when measured on a net balance basis despite strong growth in workloads; interestingly the results from Saudi Arabia buck this trend. Meanwhile, the forward-looking headline profits indicator for the region is only modestly positive. The general view appears to be that material costs, in particular, will continue to grow strongly over the course of the next twelve months with tender prices just about keeping pace.

Broad based strength in workloads projected

The aggregate results for MEA shows net balances of 45% anticipating a rise in infrastructure workloads over the next twelve months with the figures for residential and non-residential work at 38% and 28% respectively. Chart 3 highlights the results for a number of key markets in the region. Significantly, it demonstrates that some of the big projects underway in Saudi Arabia are likely to continue to drive positive momentum across the industry with feedback from the UAE and Nigeria also pointing to strong growth through the course of the next year across all sectors of the industry. Meanwhile, it is noteworthy that despite the South African economy heading for a technical recession and the somewhat cautious comments from respondents, there is a perception that (at least in net balance terms) construction activity will pick-up into 2023 with infrastructure the strongest area of growth.

Focus on improving productivity trend

As noted previously, additional questions were included in the latest Monitor to assess where the industry is placed in terms of addressing the productivity challenge. As with the global aggregate, the most widely cited response across the MEA was 'upskilling the workforce' with a focus also on 'improving procurement and supply chain management'. Interestingly, the responses from Nigeria also pointed to a greater appetite for 'investment in automation' and 'investment in data/digitalisation'.

Chart 1 - Construction Activity Indices by Country

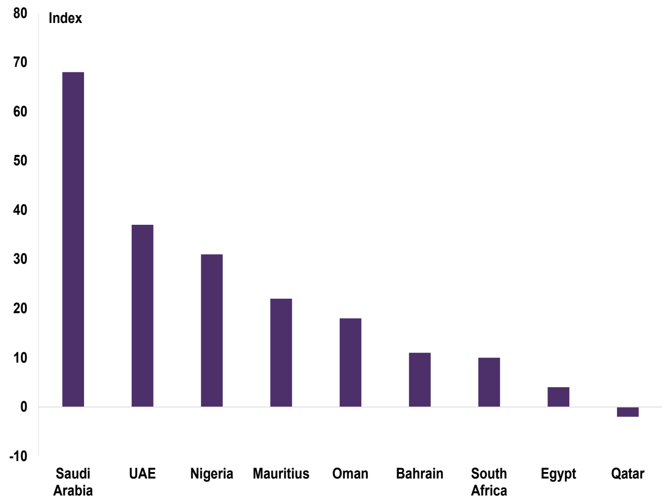


Chart 2 - Factors Holding Back Activity

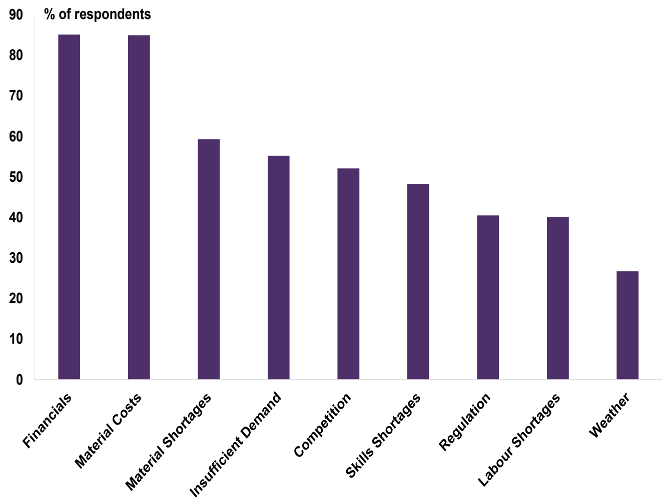
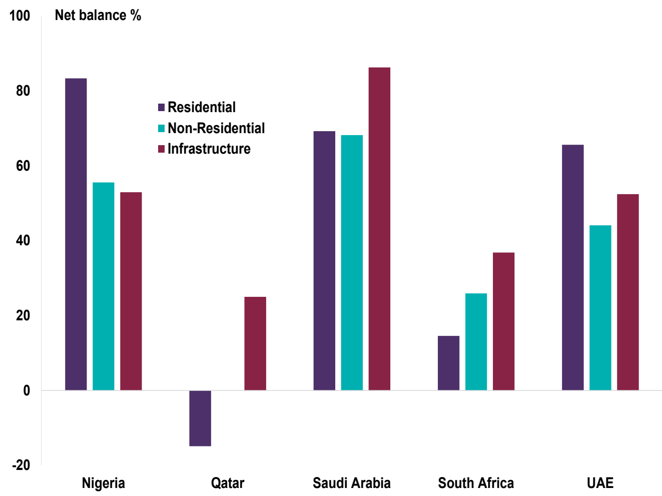


Chart 3 - 12 Months Workload Expectations



Regional comments from survey participants in MEA

Bahrain

Lower demand, lack of funding. - Manama

Lack of new large-scale projects. - Manama

Poor economic climate. - Manama

Botswana

Prohibitive legislation limiting importing of skills in short supply locally. - Gaborone

Preference procurement systems. - Gaborone

Decreased demand has led to increased competition and thus low/minimal tender rates. - Gaborone

Egypt

Inflation. - Cairo

Increase of material prices & supply chain. - Cairo

Uncertainty of the global economic situation after the war. - Cairo

Ghana

The depreciation of the Ghana cedi to other currencies especially the USD. - Kumasi

Kenya

Political uncertainty. - Nairobi

Global markets, supply chain challenges. - Nairobi

The price of fuel and steel has increased by over 40% in the span of a year making construction dear. - Nairobi

Kuwait

Visa to bring in skilled workers unavailable at present causing acute shortages. - Kuwait City

Due to COVID 19, all the public funded ministry projects are delayed. - Kuwait City

Political instability is causing construction industry stand still in this part of the world. - Kuwait City

Less government spending on development. - Kuwait City

Malawi

Unstable economy leading to cost overruns in many construction projects. Poor civil procurement. - Lilongwe

Mauritius

Rise in material costs and freight prices. - Phoenix

Political abdication and abuse of big businesses to increase profit in time of difficulty. - Phoenix

Fierce competition to win tenders. Clients want to pay less and obtain high and innovative quality. - Phoenix

Change in govt. legislation which affected availability of foreign workers. - Port-Louis

Nigeria

Lack of adequate funding for construction projects. - Lagos

Declining economy and power issues. - Lagos

Lack of commitment on the part of the consultants because of owed fees. - Lagos

Oman

Labour shortages. - Muscat

Visa requirements on expat appointments. - Muscat

Government and authorities functioning speed. - Muscat

Qatar

Lack of qualified managers or directors in the business. - Doha

Climatic conditions. - Doha

World cup coming and focus on completion of most projects. - Doha

FIFA is coming up, so construction works are getting hit in upcoming months. - Doha

Logistical problems with the procurement of construction materials and supply of skilled labour. - Doha

Temporary suspension of new projects due to the upcoming world Cup tournament. - Doha

Construction paused for FIFA World cup. - Doha

World Cup has major impact and the reliance on import for majority of goods etc. - Doha

Government policies and plans, macro-economic conditions. - Doha

Government budget allocation for new projects. - Doha

Change in law for minimum wage and pandemic issue. - Doha

Covid-19. - Doha

No new construction projects are allowed until the end of FIFA Worldcup 2022, so only early 2023. - Doha

Managing the construction risks - Managing the procurement & supply chain - Contract administration. - Doha

Saudi Arabia

High inflation and supply chain issues present difficulties to obtaining firm fixed prices. - Jubail

Saudization has limited the number of expatriates a company can hire. - Jeddah

Lack of resources - JeddahThe poor quality of design is the main reason for all disputes

The bureaucracy around immigration is a blocker for Saudi Arabia. - Riyadh

Skilled/professional shortage in the region. - Riyadh

Government levies/taxes is resulting in higher construction costs & bankruptcy of small firms. - Riyadh

Clients extraordinary demands, clients attitude towards win-win situation, unnecessary payment delay. - Riyadh

Social drivers such as household size, demographics, age and incomes affecting change in products. - Riyadh

Visa difficulties. - Riyadh

Elevated tender prices. Lack of quality / experienced contractors in the KSA market. - Riyadh

South Africa

Clients hesitancy / and clients taking too long to “press the green button”. - Cape Town

A very slow pace in the the release of public sector infrastructure projects to planning or tender. - Dannhauser

Business forums that are not willing to add value to the built environment. - Durban

Construction mafia which hijacks projects and demand a share of the project. Corruption. - Johannesburg

Lack of government spend on large infrastructure projects. - Pretoria

UAE

Logistics is causing delays in material and equipment delivery. - Abu Dhabi

Supply chain constraints due to covid and latterly the war in Ukraine. - Abu Dhabi

Generally, the market and professionals are looking forward to a bounce back. - Abu Dhabi

Poor procurement practice creates issues right from floating tender with insufficient information. - Dubai

Moving of skilled professionals to Saudi Arabia. - Dubai

Fear of recession. - Dubai

Dubai construction market is emerging from the Covid-19 downturn. - Dubai

Competition from mega projects in Saudi Arabia for skilled personnel. - Dubai

Material and fuel costs. - Dubai

Delay in government approvals. - Dubai

Skills shortage and material costs. - Dubai

Continued focus on lowest cost over value proposition by clients. Too many low quality - competitors. - Dubai

North America: Macro factors taking their toll on the residential sector

The headline Construction Activity Index shows a further easing in sentiment for both Canada and the US over the quarter (chart 1). Respondents commented on inflation and, in particular, the costs of material and labour as being significant challenges facing the industry.

Private residential sector falls into negative territory in Canada

Current workload metrics are showing positive trends in two out of the three categories of the industry covered in the Monitor. In line with the previous quarters, the infrastructure net balance remains the most upbeat in Canada with a net balance reading of +44%, although this has moderated from a reading of +51% in Q2. Likewise, infrastructure remains the strongest area of output growth in the US, posting a net balance of +38%. Meanwhile, the private non-residential workloads net balance was +37% and +31% in Canada and the US respectively in Q3. However, for the private residential sector the readings are capturing the shifting sands regarding the housing market with increasing evidence of growing pressure on pricing in both countries. For Canada the workloads metric is now marginally in negative territory falling from +28% in Q2 to -1% this quarter. And, for the US the indicator has now turned flat with a significant easing from +44% in Q2 to +4% this quarter. That said, the overall business enquiries indicator (designed to capture the pattern across whole of the construction industry) continue to note a modest pick-up in appetite to build, with the US posting a net balance of +23% and Canada +20%. Current employment trends also remain positive.

Little change in concerns of respondents from the last quarter

Similar to the results reported last two quarters, respondents in Canada and the US still are still particularly concerned about both the costs and supply of materials and labour. Chart 2 shows a high proportion of respondents continuing to cite such issues as constraining market activity. Moreover, in the US 73% of respondents now report there is a shortage of quantity surveyors (up from 64% last time). Other concerns, such as financial constraints, are still prominent across the North America region and indeed, edging up somewhat. This is hardly surprising given the continued increase in interest rates from both the US Federal Reserve and the Bank of Canada.

Expectations remain positive for the most part, but loss of momentum continues

Expectations over the next twelve months for Canada remain similar to the previous quarter for private residential, non-private residential and infrastructure, as shown in chart 3. However, expectations are for growth in headcounts and profit margins to ease, with the former slipping to a net balance of +21% from +37% in Q2. For the US, private residential workload expectations fell into negative territory (-7%), retreating from a net balance of +20% previously. Alongside this, there was an easing for private commercial output expectations as well (although these remain positive). Meanwhile infrastructure is widely anticipated to deliver strong growth in the year to come. Profit margins, measured in net balance terms, are again viewed as likely to grow albeit relatively modestly (+11% as against +13% in Q2 and +40% in Q1).

Chart 1 - Construction Activity Index

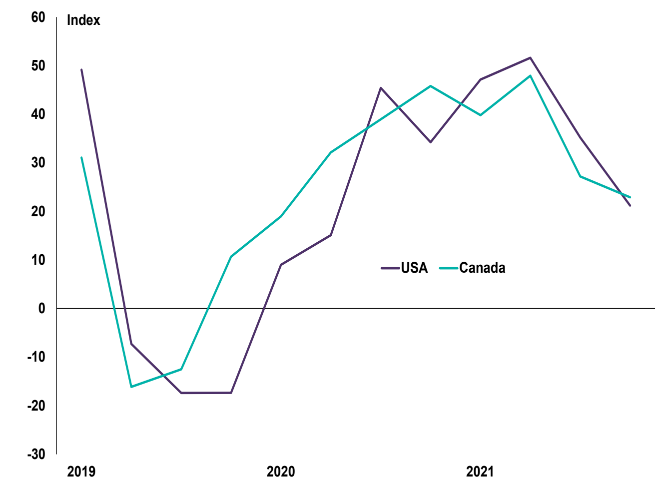


Chart 2 - Key factors holding back activity

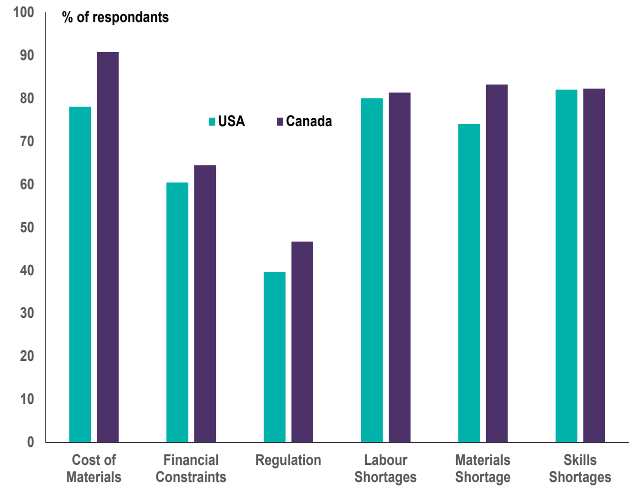
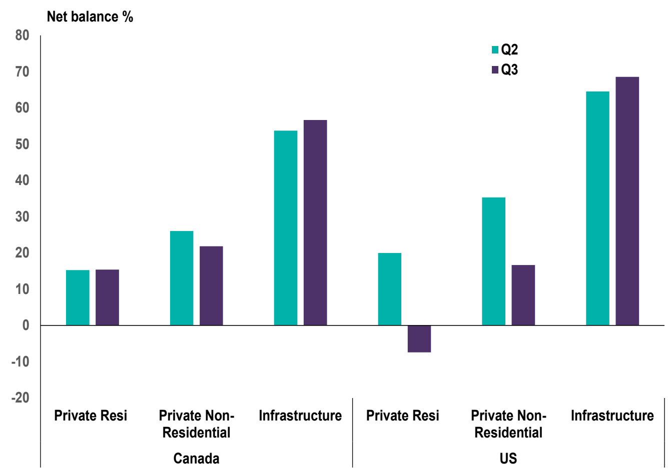


Chart 3 - 12-month workload expectations by sector



Regional comments from survey participants in the Americas

Antigua and Barbuda

Substantial increase in cost of materials. -St John's

Massive increases in the cost of all imported materials and shipping. - St John's

Canada

Anticipated further disruptions to the supply chain with the enormity of Hurricane Ian/Fiona. -Calgary

Huge Turnover of Skilled Workforce. - Calgary

Government policy. – Concord

Global supply chain issues remain a concern. - Edmonton

Oil & Gas business in Alberta are affecting the construction market in 2022. – Edmonton

Gas price. – Edmonton

Other contractors who engage in practice of enticing our employees to work for them. – Halifax

Construction to remain strong despite upcoming recession, population is growing creating opportunity. – Kelowna

Shortage of labour, massive increase to lead times, and material prices have levelled off. – London

Material price increases. – Markham

Government Regulations at all levels. – St johns

Lack of skilled labour and shortage of major construction materials. – Toronto

Immigration regulations does not facilitate more newcomers in market for competitiveness. – Toronto

Fuel increase, world events, and the effect of COVID has driven construction costs. – Toronto

Lack of competition. Trend toward one bidder on major infrastructure. - Toronto

The factor affecting construction market is due to inflation, which impacts material and labour cost. – Toronto

Still experiencing the effects of global pandemic caused by Covid-19. – Toronto

Rising cost and unavailability of building materials, owners to pay delay impact. – Toronto

Inflation. – Vancouver

Costs of materials and labour remain at persistently elevated levels. – Vancouver

High-rise residential. – Vancouver

Inflation and lack of skilled trades. - Vancouver

Shortage of skilled labour. – Victoria

Material prices have increased, especially Structural steel products. - Whitby

Shortage of labour and trades. – Winnipeg

Cayman Islands

Public section client interference. - George Town

Dominica

Procurement challenges in the operations of Government procedures. - Roseau

Jamaica

The increase costs in Shipping, which impacts compliance deadlines. - Kingston

Foreign exchange rates. - Kingston

Trinidad and Tobago

Major materials providers speculatively hoard stock in anticipation of further price increases. - St. Augustine

Shortage and cost of imported goods. - Port of Spain

Delayed payments and non-payments. - Port of Spain

Recent increases in oil and gas sector earning, are not stimulating construction market recovery. - San Fernando

United States

Contractors' losses on projects bid in 2021, causing inflated bids in 2022.- Boston

Inflation. - Jacksonville

Labour shortages and material supply. - Las Vegas

Supply chain issues, lack of labour, and commodities escalation. - Los Angeles

Suppliers not honouring PO or contracts, causing subcontractors refusal to lock in prices. - Los Angeles

Supply chain issues. - Los Angeles

Increasing demands for skilled labour and procurement lead times are negatively impacting delivery. - Midwest and Southeast United States

Return to office policies and show-up rates. - National

Cost of insurance, specifically the labour law exclusion in NYC. Fulfilling M/WBE requirements. – New York

Late delivery of materials and equipment due to supply chain disruption. – New York

Interest Rates. - Portland

Material lead time. - San Jose

Utility supplier power constraints. - 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

Survey questionnaires were sent out on 7 September 2022 with responses received until 17 October 2022. 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 3302 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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PICQS

Consejo General de la Arquitectura Técnica de España

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