Q1 2021: Global Construction Monitor

Construction market recovery gains traction despite supply chain bottlenecks

- **Recovery continues in Q1 with data signalling expansion in all regions**
- **Supply chain issues pushing up construction costs more than tenders over next year**
- **Impact on productivity seen to be less significant than during the peak of the pandemic**

Global construction markets appear to be firmly on a recovery footing in the first quarter of 2021 as forecasts for the global economy are revised upwards. Feedback from respondents to the RICS Global Construction Monitor (GCM) points to a pickup in construction market activity over the past three months that is expected to continue throughout 2021. Although sentiment has broadly improved over the course of the previous quarters, pockets of weakness remain, and difficulties procuring manpower and materials, as well as tight financing conditions, are complicating the rebound.

Recovery picks up momentum

The Global Construction Activity Index* (CAI) rose to +14 in Q1 from +3 in Q4, and substantially higher than the low of -24 in Q2 of 2020. This level is indicative of the market being in expansionary territory after stabilising in Q4. Chart 1 shows that unlike in previous quarters every region is now more or less on an expansionary footing, albeit moreso in Europe (+16), Asia Pacific (+15) and the Americas (+13) than in the Middle East and Africa (+3).

Although the headline figures signal an improvement in sentiment from Q4, Chart 4 shows evidence of within-region dispersion of market conditions. The expansion appears to be particularly strong in several markets that registered a CAI above +30, led by New Zealand (+44) but also including Australia (+38), Canada (+32), the Netherlands (+32), China (+30) and the UK (+30). Meanwhile, some markets are still experiencing a contraction, including Spain (-11), South Korea (-17), the UAE (-17), South Africa (-23), Malaysia (-28) and Oman (-47). This suggests that although the industry globally is undergoing a recovery, there appear to be a great deal of idiosyncratic factors that are affecting the state of the construction markets across various geographies.

The degree of dispersion appears likely to increase in the coming months given that the economic outlook is so highly leveraged on the success or failure of national vaccine rollouts. Although some vaccination campaigns, such as those in the USA and UK (amongst others), appear to be proceeding relatively smoothly, evidence points to a slower rollout in other advanced economies in Europe, while some emerging markets have had difficulty securing the necessary supply of vaccines.

Financing remains difficult to obtain

As in previous quarters, respondents highlighted difficulties in accessing financing as the main impediment to activity. Globally, two-thirds of respondents cited this as a factor holding back activity, though as can be seen in Chart 2 the

Chart 1: Construction Activity Index*

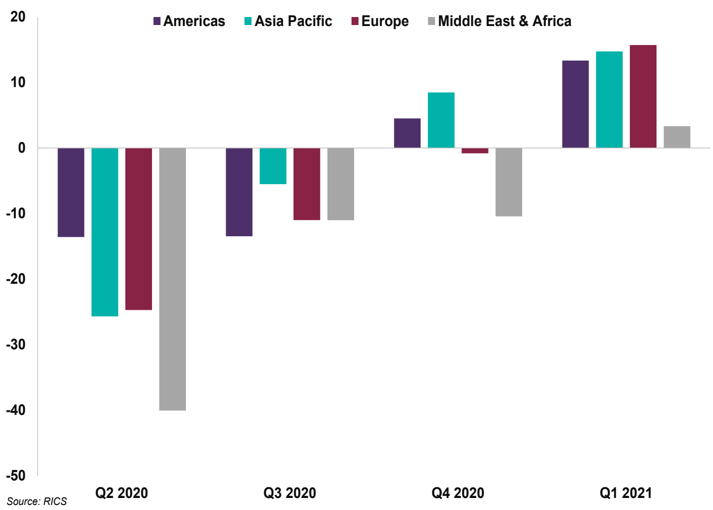
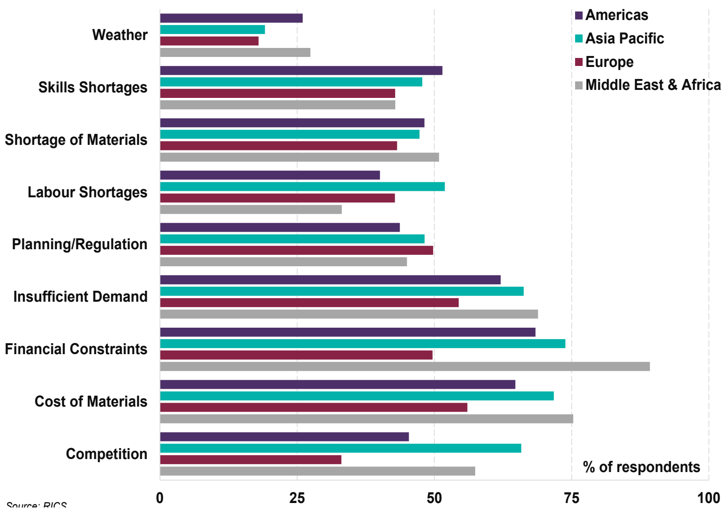


Chart 2: Factors holding back activity



*The Global Construction Activity Index is a weighted composite measure encompassing variables on current and expected market activity as well as margin pressures.

Survey responses were supported by the following organisations:

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

PICQS

Consejo General de la Arquitectura Técnica de España

nvbk Nederlandse Vereniging Bouw Kostendeskundigen Financiële Beheersing van Bouwprojecten share is lower in Europe than in other regions. Tough financing conditions may be a symptom of lingering uncertainty surrounding the path of the recovery, with financiers unwilling to take on risk at this point in the cycle.

Evidence of supply chain bottlenecks emerging

Interestingly, the share of respondents highlighting the cost of materials as a constraint has been creeping higher over the last several quarters. In Q2 of 2020 45% of respondents globally cited the cost of materials as a constraing. However, in the subsequent quarters this share has increased to 53%, then 58%, and now sits at 66% to be the second most cited impediment to construction market activity. As can be seen in Chart 2, the share of respondents who highlighted the cost of materials as an obstacle was greater than 50% in each region.

This appears to be a symptom of emerging supply chain bottlenecks. Anecdotal evidence provided by commentary from survey participants also suggests that border closures in the wake of COVID lockdowns have pushed up the price of materials. In markets that depend on foreign labour or migrant labour from other parts of the country, it also is appearing to have an upward impact on labour costs.

Chart 3 shows the expected changes in tenders and construction costs over the next year. In line with the recovery narrative, expectations for tenders have been revised higher from Q4. Globally, tender prices are now expected to rise 3.1% over the next twelve months against the 1.4% that was expected in Q4, with relatively little variation between regions. Construction costs, however, are expected to increase 5.9% over the same period (vs 4.1% in Q4), driven by a 6.3% increase in the cost of materials (vs 4.8% in Q4). A full breakdown of tender and construction cost expectations can be found on page 13 of this report.

Outlook for hiring tepid

The larger increases in tenders and costs may be driven by upbeat expectations for workloads over the next year. Chart 5 shows that demand in the current quarter was mixed, with roughly respondents in roughly half of the markets tracked by this survey observing some degree of an increase in workloads (in net balance terms), and while the other half saw workloads decline. Notably in the USA, the level of construction market activity was seen to be little changed from Q4 of 2020.

Looking ahead to the next year, however, paints a far more optimistic picture. Workloads are generally expected to rise over this period, with the exception of some markets in the Middle East and Africa (Oman, Kenya and Mauritius), and others where activity is expected to stabilize (Spain, South Africa, Malaysia). And notably, the construction market in the world's two largest economies, China and the USA, are expected to undergo a robust expansion.

The outlook for hiring is more mixed, however. Chart 6 shows that several markets, including India, Italy and the UAE experienced a decline in overall headcounts in Q1. Several are also expected to continue to decline, or at best stabilize, over the next twelve months. This could perhaps be another sign of uncertainty surrounding the recovery; business are cautious to expand headcount despite expectations pointing to a rebound.

Chart 3: **12-month expectations**

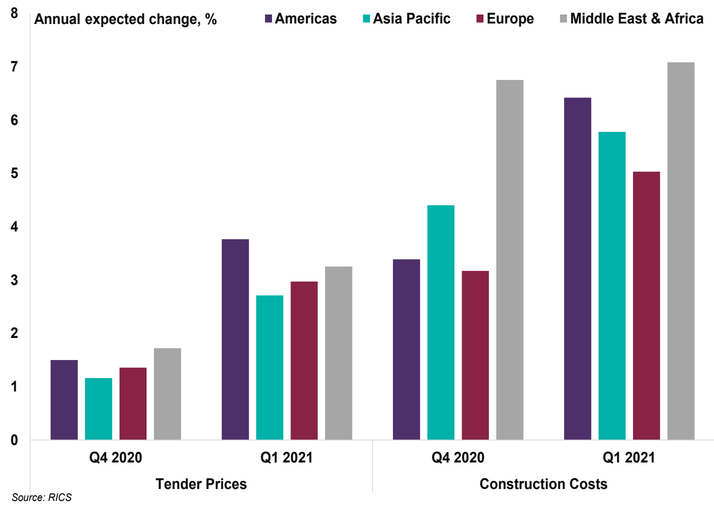


Chart 4: Construction Activity Index by country

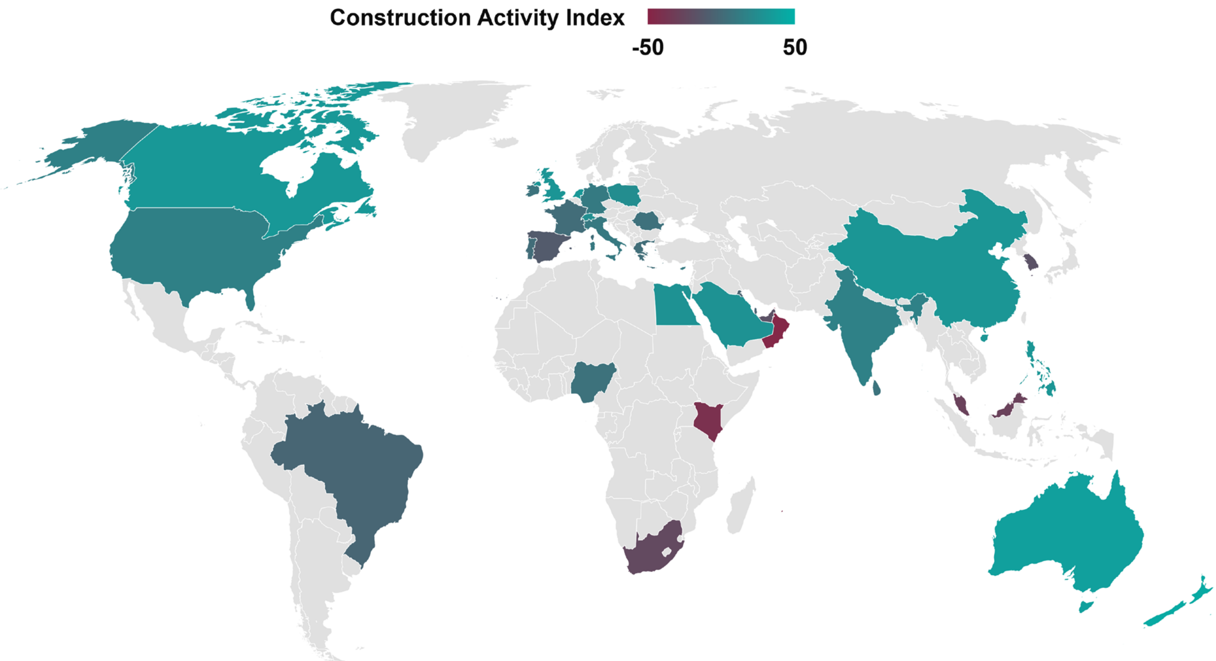
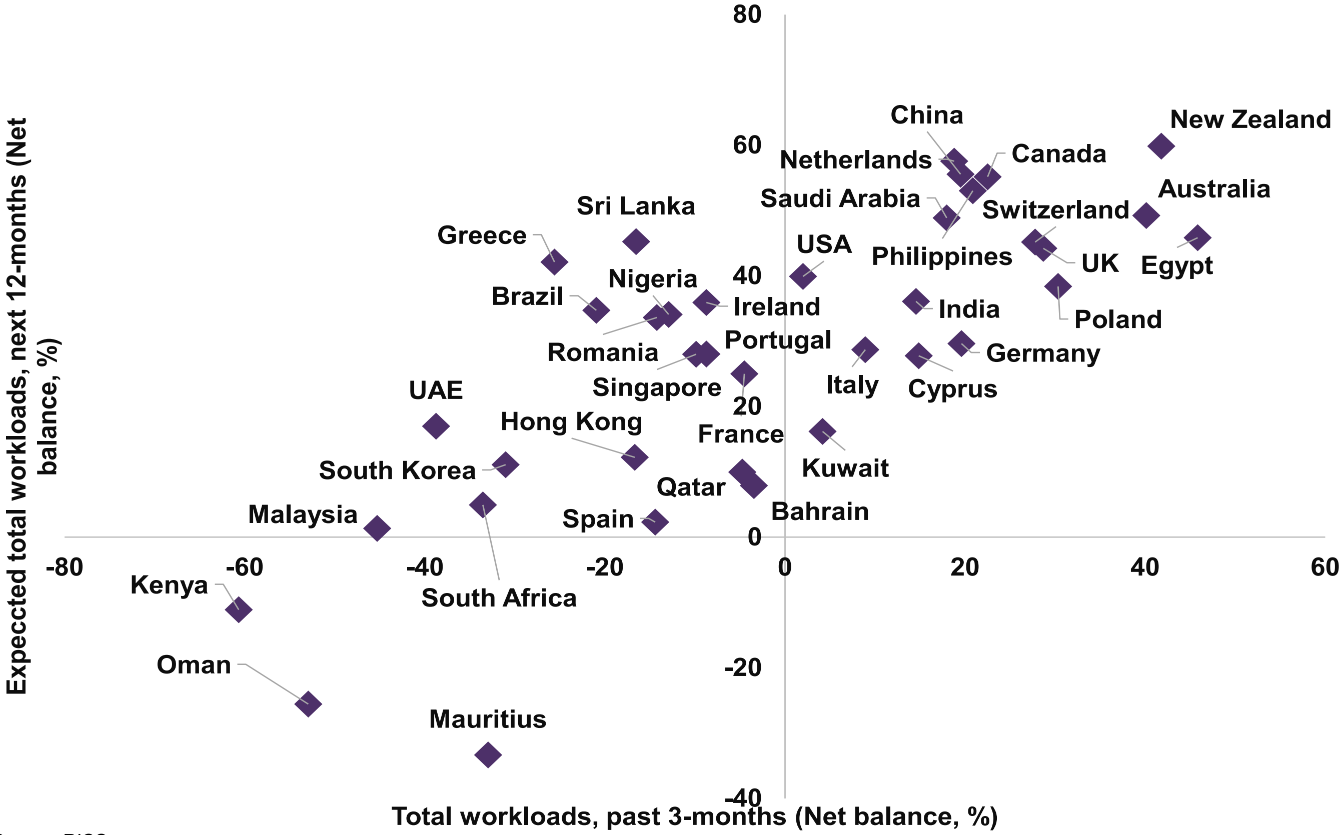
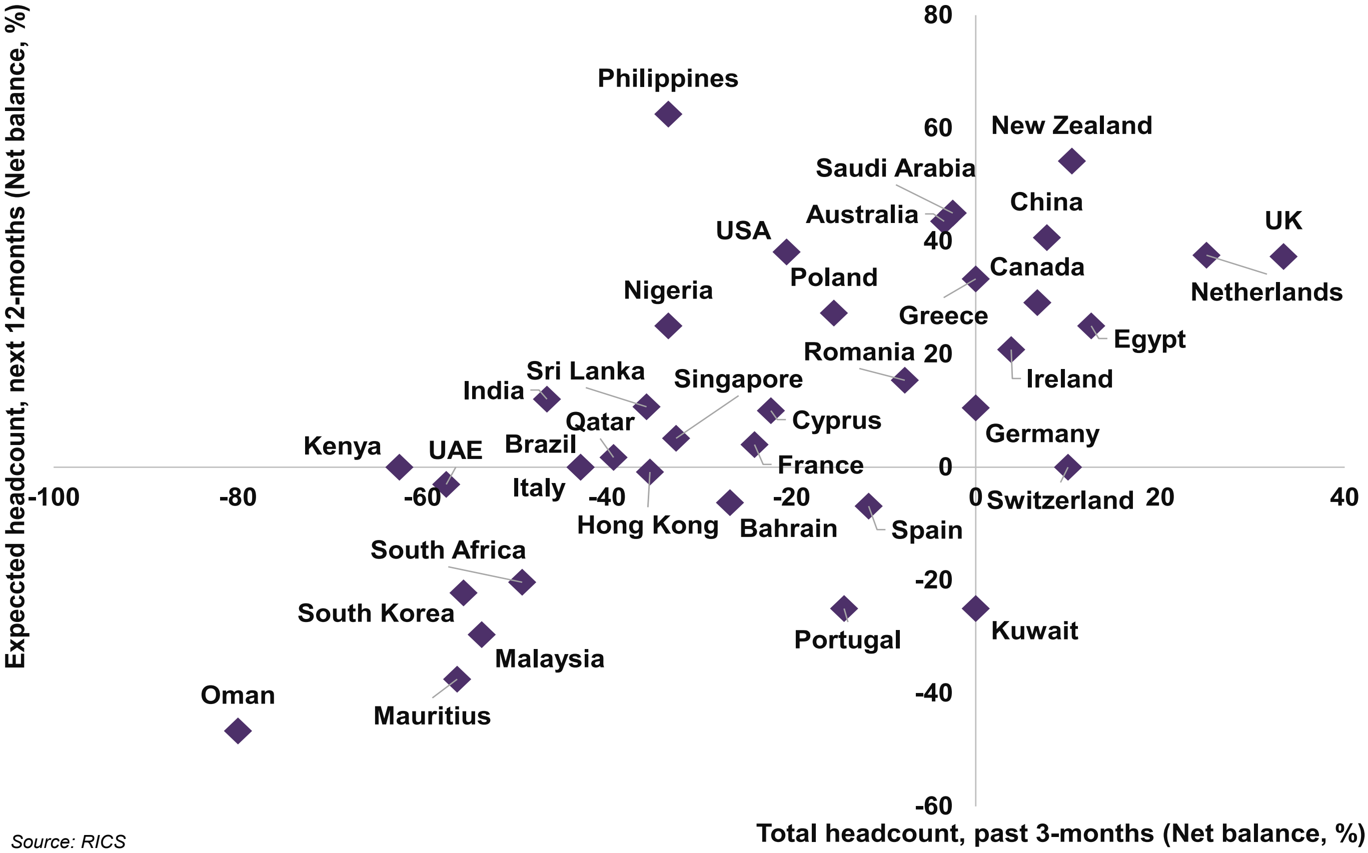


Chart 5: Current and expected workloads



Source: RICS

Chart 6: Current and expected headcounts



Source: RICS

RICS Special Report: Measuring the impact of COVID on the construction market

As a part of the Q1 2021 Global Construction Monitor, respondents answered additional questions about the impact of COVID on construction markets. Most questions were also asked in the Q2 of 2020 survey, during the peak period of COVID economic lockdowns in many countries.

COVID has undeniably had a significant impact on the construction industry, both cyclical and structural. Initially it was difficult to gauge its impact was difficult in the early days of the pandemic. However, the beginning of vaccination campaigns in many parts of the world may help offer some clarity as to what the full impact of COVID will be.

The impact on productivity may not be as bad as initially expected

Survey participants were asked how COVID will impact productivity on construction sites. As can be seen in Chart 1, onsite productivity is expected to decline 6.7% globally as a result of COVID, though there is some variation between regions with productivity seen declining less in the Americas (-5.6%) and Europe (-5.7%) than in Asia Pacific (-7.9%) or the Middle East and Africa (-7.6%).

Notably, the expected decline in productivity is less than what was expected than in the Q2 2020 survey, when respondents expected a 11.7% decline in onsite productivity. The chart also shows that the expected decline in productivity fell between 3 and 9 percentage points in each region, signifying that the hit to productivity may not be as bad as initially expected. This is generally true at the country level as well (Chart 4), with the exception of Romania, Portugal, Switzerland and Poland where there was very little change in the expected hit to productivity.

Non-residential projects see higher cancellations

When asked the share of projects that had been outright cancelled in the Q2 2020 survey, feedback suggested that very few had (1.1%) globally. However, this was still in the early days of the pandemic, and feedback did point to 24.9% of projects globally being on hold for at least some period of time. It appears that in the subsequent three quarters, some of these projects were cancelled.

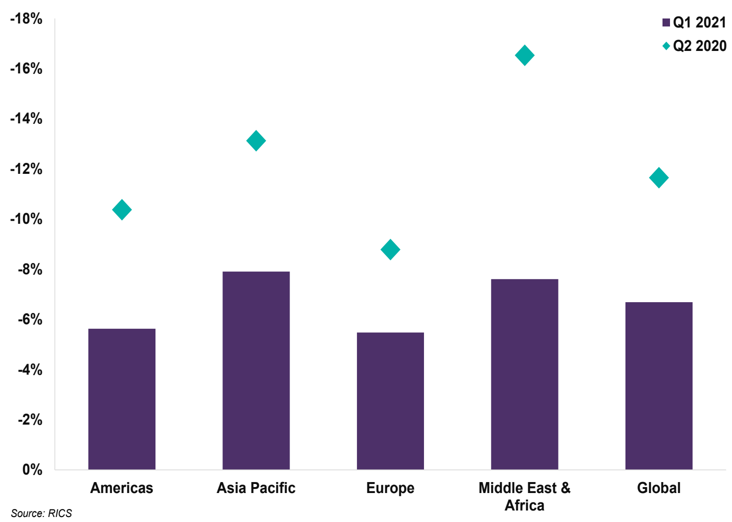
Chart 2 shows that globally, 6.9% of residential and infrastructure projects have been cancelled since the beginning of the pandemic. The share of non-residential projects that have been cancelled, perhaps unsurprisingly, is significantly higher, sitting at 10.3% globally. Chart 5 shows that this tends to be the case at the country level as well, though there is some variation.

Underbidding slightly less prevalent

Just under half of respondents (44%) surveyed in Q2 of 2020 said that they were consistently receiving bids below cost. The share fell to just over a third (37%) in Q1 of 2021, and was only at 40% in one region, Asia Pacific. As can be seen in Chart 6, underbidding was more prevelant in some markets, however, including Oman (87%), and Spain (62%).

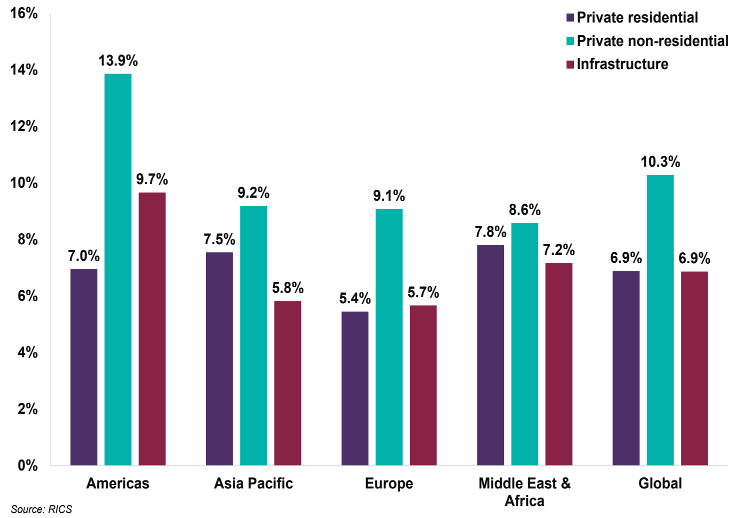
The scale of underbidding also appears to have declined. In Q1 of 2021, the average 'underbid' came in at 5.3% below cost, vs 6.9% in Q2 2020. There was some dispersion here as well, with the average underbid in France coming in at 10.3% below estimated cost, and 11.3% below cost in Spain (Chart 7).

Chart 1: How will COVID affect onsite productivity?



Source: RICS

Chart 2: What percentage of projects have been permanently cancelled since the onset of COVID?

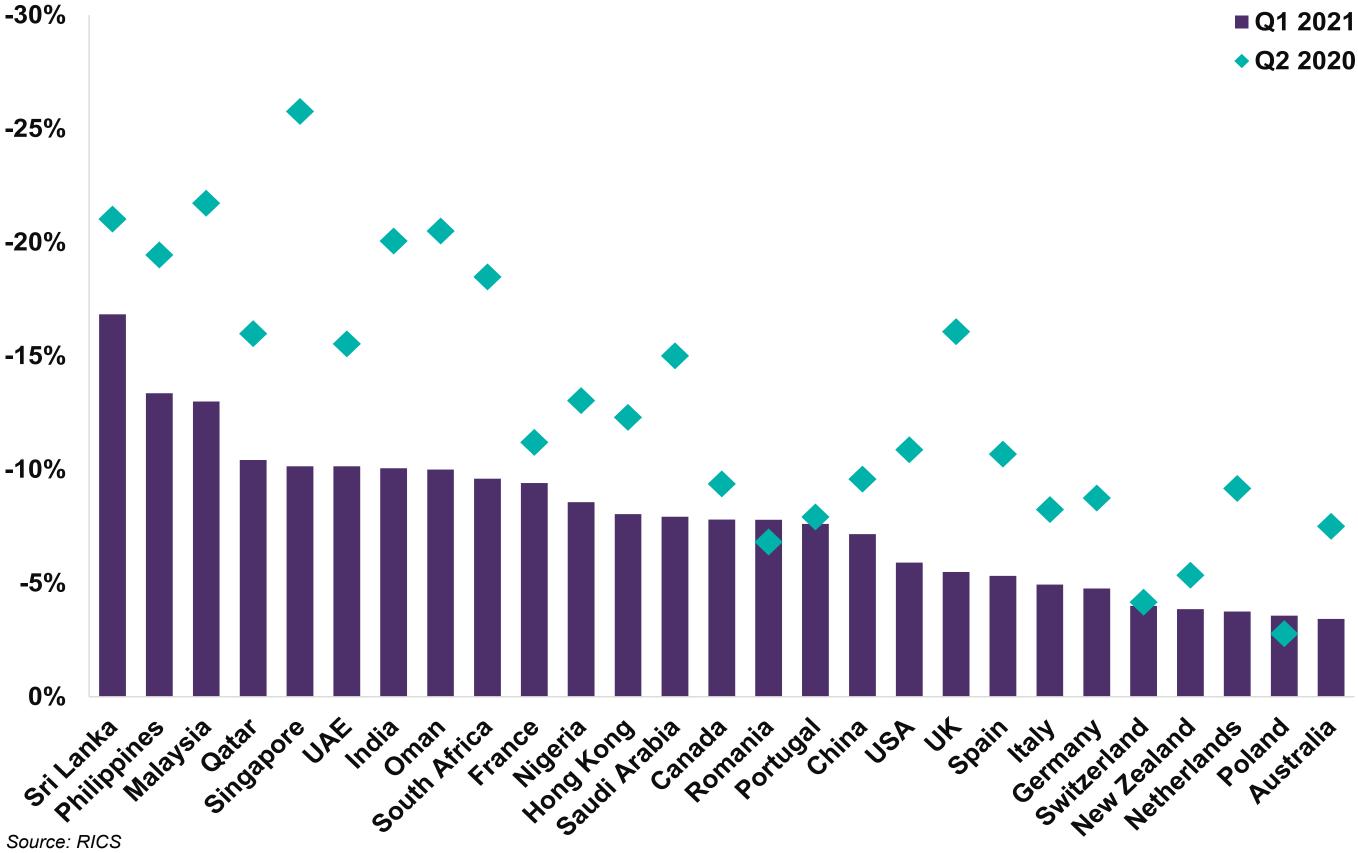


Source: RICS

Chart 3: Based on a professionally prepared realistic estimate of the cost for a project, are you now consistently receiving tenders/bids below that level?

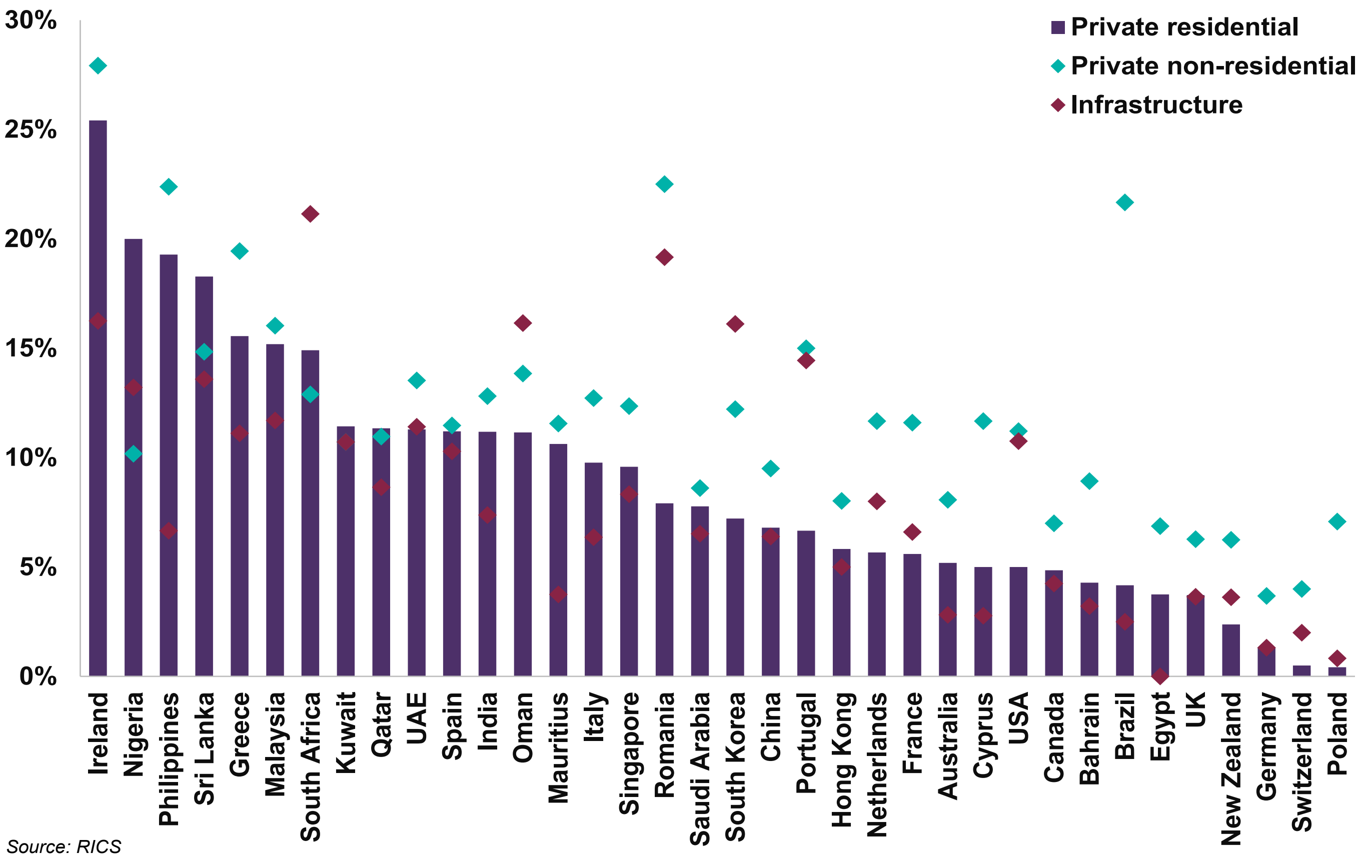
Source: RICS

Chart 4: How will COVID affect onsite productivity?



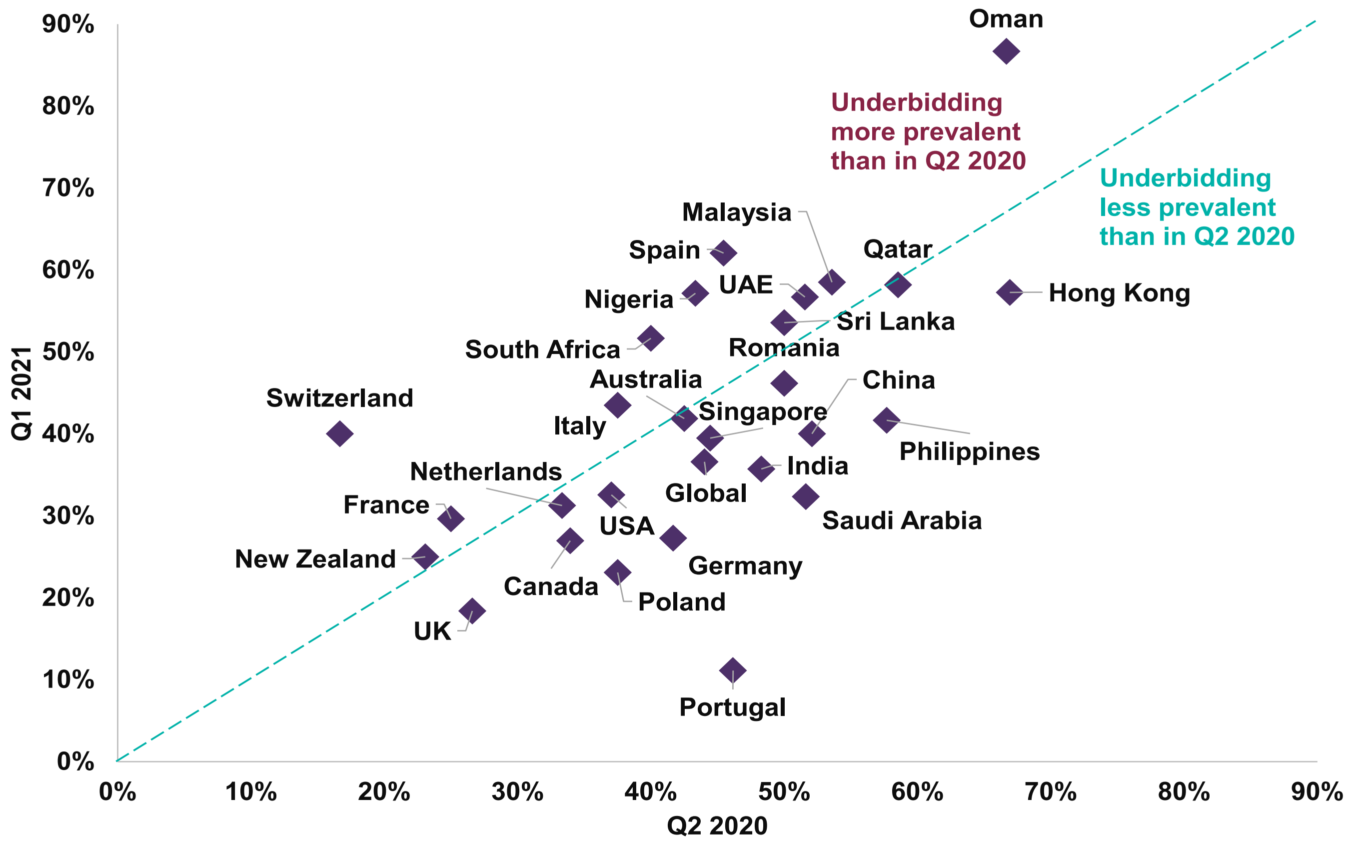
Source: RICS

Chart 5: What percentage of projects have been permanently cancelled since the onset of COVID?



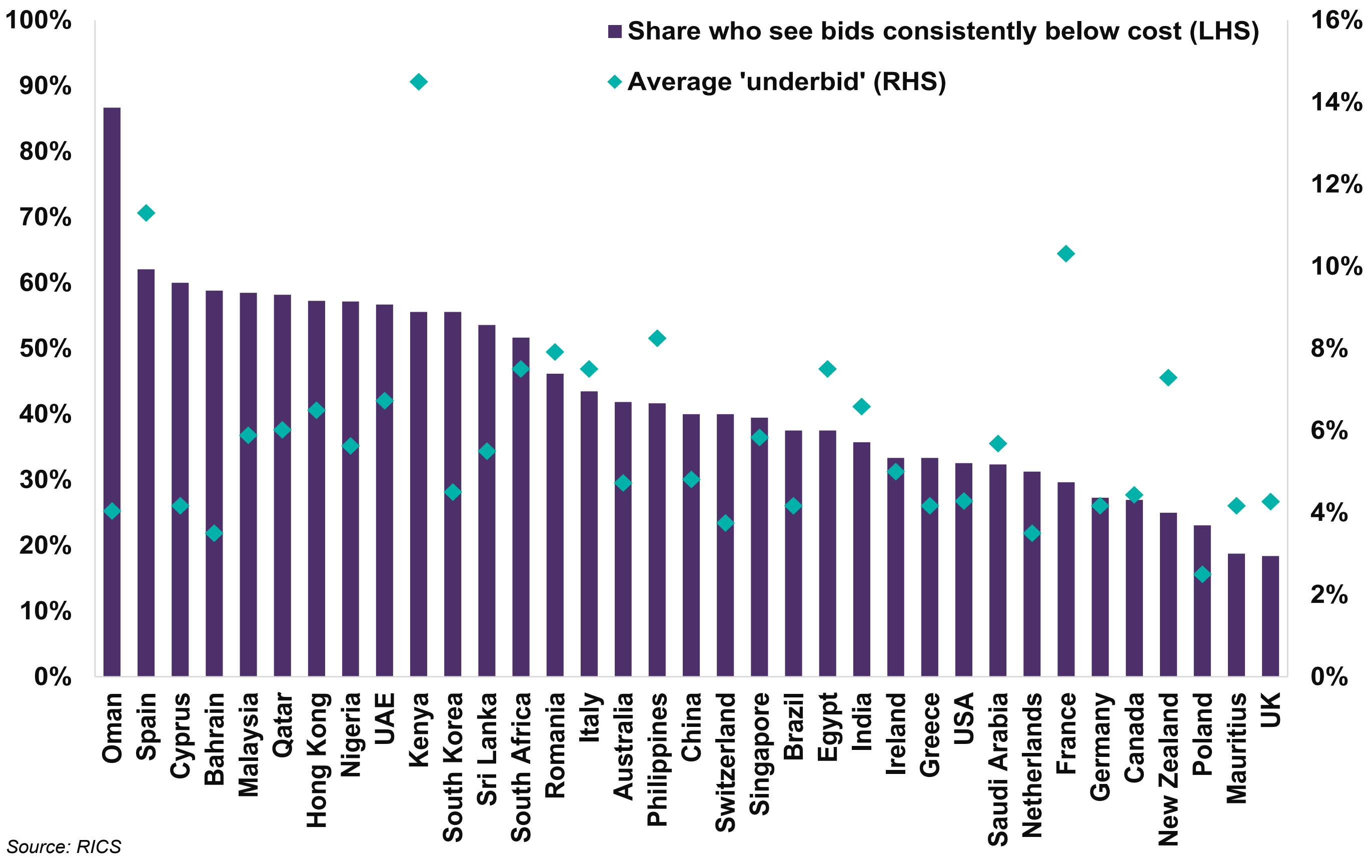
Source: RICS

Chart 6: Based on a professionally prepared realistic estimate of the cost for a project, are you now consistently receiving tenders/bids below that level?



Source: RICS

Chart 7: Based on a professionally prepared realistic estimate of the cost for a project, are you now consistently receiving tenders/bids below that level?



Source: RICS

Americas: Recovery in construction workloads expected to accelerate over the coming year

The Q1 2021 Construction Monitor for the Americas show activity continuing to slowly pick with the Construction Activity Index (CAI) rising to +13 fron +3 in the final three months of 2020, and negative readings recorded prior to that. Within this aggregated number, Canada continues to register the strongest performance from the sector (+32) with the US at +15; the feedback from Brazil, in contrast, still points to a more subdued picture.

Infrastructure projections picking up sharply in the USA

Chart 1 looks at sentiment around current workloads by sector for the USA and Canada as well as the twelve month expectations. For the USA, the feedback shows that at the present time workloads (in net balance terms) are showing strongest momentum in the private residential area which is consistent with official data that indicates housing starts to be close to a 15-year high. However while development in this part of the construction sector is viewed as accelerating through the course of the year, an even bigger uplift is envisaged in infrastructure reflecting the ambitious plans being set out by the Biden administration. Predictably, the infrastructure workloads are reported as currently growing most strongly in the digital and energy segments.

For Canada, the results are a little different with the infrastructure spend already showing considerable momentum; this is viewed as being sustained through the course of 2021 with private residential and non-residential workloads also picking-up speed as the macro picture strengthens.

Material costs and skill shortages remain key obstacles

Unsurprisingly, respondents in the Americas cite the cost of materials as a constraint on activity at the present time; this is a theme that we have picked-up across the globe. Alongside this, as Chart 2 highlights, a shortfall in labour with appropriate skills also appears a challenge with 59% of respondents in the USA and 61% of those in Canada highlighting this factor. In both countries, the issue appears particularly pronounced when it comes to ‘skilled trades’ although 44% in the USA and 46% in Canada also draw attention to problems regarding recruiting quantity surveyors.

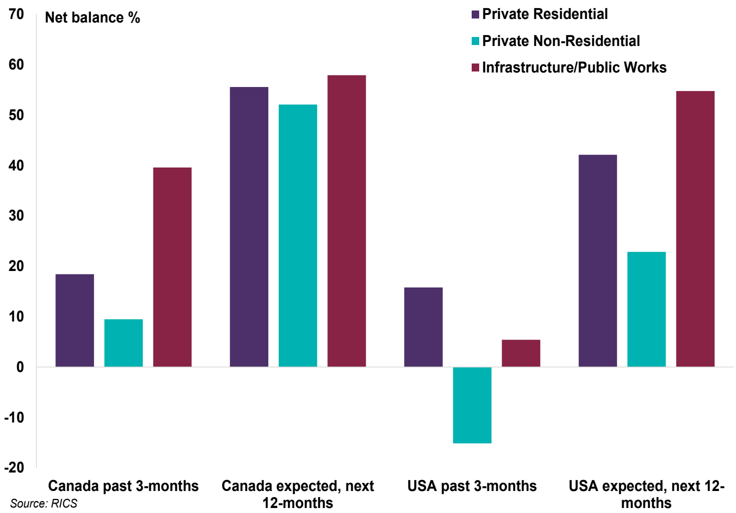
Tender prices likely to continue to be outstripped by costs

The pressure on profit margin in the construction sector appears to easing looking at the forward looking indicators in net balance terms; the USA reading is +21 while for Canada it is +18. That said, in both cases the point estimates for tender prices and construction costs demonstrate that higher material and labour costs will limit the extent of any uplift (Chart 3).

Even so, there is only limited evidence that the pandemic-induced challenges for the sector have fuelled significant ‘underbidding’ of realistically produced cost estimates.Although around one-quarter of respondents in Canada and one-third of those from the USA acknowledged this was happening to some extent, the average ‘underrbid’ was relatively modest even in those cases at less than 5%. This is a lower estimate than when we last asked the same question back in Q2 2020.

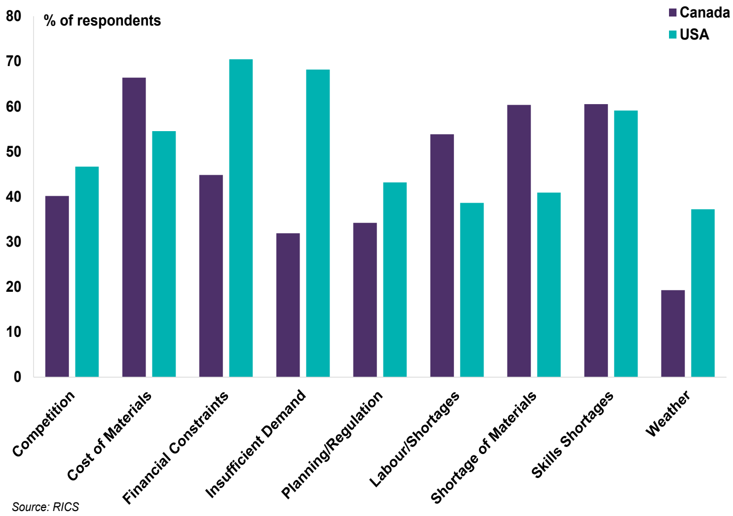
Alongside this, respondents also confirm that the construction industry is proving flexible onsite in adapting work practices to reflect the legacy of the pandemic. The estimated average loss to productivity from this is put at less than 8% in both countries compared with more than 10% last year.

Chart 1: Construction workloads



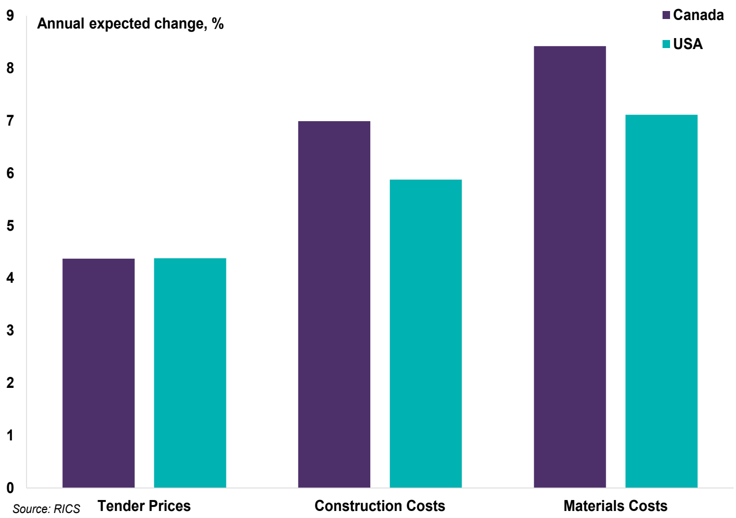
Source: RICS

Chart 2: Factors holding back activity



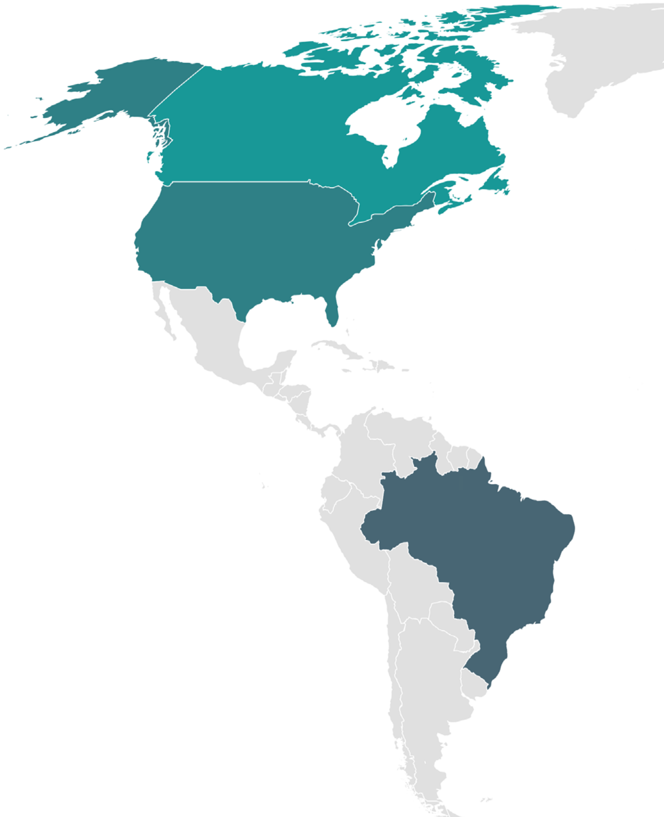
Source: RICS

Chart 3: 12-month expectations



Source: RICS

Regional Comments from Survey Participants in the Americas



Brazil

Many infrastructure projects are being started. -*Sao Paulo*

Decerease in bids in the public sector. -*Sao Paulo*

Significant increase in construction costs. -*Sao Paulo*

Political uncertainty linked to pandemic ritical, as sub-contractors will not go to sites where delays happen. -*Sao Paulo*

High input costs. -*Sao Paulo*

Canada

Huge impact on construction projects due to the pandemic situation. -*Brampton*

Oil and gas infrastructure spend reduced. -*Calgary*

Lack of market activity and government infrastructure spending (federal). -*Calgary*

Market Conditions. Great amount of work. -*Gatineau*

Halifax NS is experiencing unprecedented growth in all sectors; including large increases in home cost. -*Halifax*

Material supply issues, especially wood. -*Kelowna*

Shortage of materials and good labor. -*Montreal*

Lack of certified Quantity Surveyors. -*Ottawa*

The price for Steel has increased as well as lumber. -*Ottawa*

Delayed delivery of materials, goods. -*Sarnia*

Production costs are really very high. -*Quebec*

Strong residential projects and weaker civils. -*Quebec City*

Carbon tax, Paris Accord impact on oil and gas industry and ripple effect. -*Spruce Grove*

Skilled labour demands and increase in construction of materials cost, plus delivery delays. -*St. John's*

Government providing stimulus funding; shift from high rise residential to single homes slowing. -*Toronto*

Shorage of all labour. Material prices soaring. Contractors very busy. -*Toronto*

Pricing uncertainty and availability of materials remains concerning in key trades. -*Vancouver*

Cost of raw materials is increasing. -*Vancouver*

Material cost increase, labour increase slightly but trade is willing to lower their profit margin. -*Vancouver*

Jamaica

Uncertainty about the resurgence of consumer confidence post Covid, when to time investments. -*Kingston*

Interest rate, remittances, interest from overseas. -*Manchester*

Trinidad and Tobago

High competition for a declining construction market. -*Petit Valley*

Increase uncertainty, and risks. -*Port of Spain*

Unusual increase in the cost of steel. -*Port of Spain*

Increases in the prices for steel and lumber products due to shipping cost and supply shortgages. -*St Augustine*

United States

Clients are hesitant to spend money on projects under the pandemic. -*Beaverton*

Material shortage the biggest issue. -*Greenville*

COVID has compounded supply and demand issues. -*Houston*

Oil crisis. -*Houston*

We are seeing a lot of work in offices, but associated with downsizing of operations. -*Houston*

Uncertainty in energy demand policy and regulation. -*Houston*

The Public Works market has been flat as local and state revenue has taken a hit. -*Los Angeles*

Too much work, pushing up pricing and materials. -*Los Angeles*

Covid Risks. -*New York*

We see uptake in build work progress & regulatory body approval as vaccination rolls out. -*New York*

Rise in steel, PVC, copper etc. prices. -*Orlando*

Market is highly volatile and workload unevenly distributed. Impacts of wild fires notable. -*San Francisco*

Transportation of materials especially the materials are imported from other countries. -*San Francisco*

Asia Pacific: Hiring expectations pick up alongside construction activity

Feedback from respondents to the Q1 2021 RICS Global Construction Monitor in Asia Pacific indicated that the post-COVID recovery in regional construction markets is gaining traction. The Construction Activity Index (CAI) in Asia Pacific rose to +15 in Q1 from +8 in Q4 and well above the -26 recorded in Q2 of 2020. As can be seen in Chart 1, survey participants in most countries noted an improvement in market conditions.

Infrastructure continues to drive overall workloads

Similar to previous quarters, workloads across Asia Pacific were led by the infrastructure segment of the market. A net balance of 30% of respondents said that work on infrastructure projects increased in Q1, up from the 14% that noted an improvement in Q4. The increase continued to be fuelled by a robust increase in infrastructure activity in China and Australia, and to a lesser extent New Zealand, the Philippines, and India.

However, activity in other segments of the market was tepid as aggregate regional private residential or non-residential workloads were seen as stable. Only respondents in Australia, New Zealand and China noted an increase in new business enquiries.

Increased activity boosts hiring expectations

As in the Q4, the outlook for market activity is more upbeat, with workloads expected to increase across all segments of the market over the next twelve months. In net balance terms, the increase in private non-residential workloads is expected to be more subdued than that for the private residential and infrastructure segments of the market.

Unlike in the prior quarter however, the optimistic outlook for workloads appears to have spilled over into hiring expectations. As can be seen in Chart 2, headcounts are only expected to decline in South Korea or Malaysia. These two markets also have at the most muted outlook for workloads over the next year. Meanwhile, the outlook for activity in China, Australia, New Zealand and the Philippines is amongst the strongest in the region, mirroring the the outlook for headcounts.

Finances, materials remain main constraints

As can be seen in Chart 3, more than 70% of respondents across the region highlighted finances and the cost of materials as the main impediments to activity, slightly higher than global averages. Financial constraints appear to be particularly restrictive in India, Malaysia, the Philippines and Sri Lanka, where over 90% of respondents highlighted this as a constraint. The cost of materials appears to be linked to global supply chain disruptions, and was less of an issue for respondents in Australia and South Korea.

Perhaps unsurprisingly, respondents in markets more dependent on migrant labour, such as India and Singapore also highlighted labour shortages as a factor holding back activity. Contributors in these markets also expect higher increases in labour costs (both skilled and unskilled) over the next year than in other markets. Elsewhere, the cost of materials were generally seen driving overall construction costs, which are expected to rise more than twice as much as tender prices over the next twelve months (5.7% vs 2.7%). A detailed breakdown of cost and tender price forecasts can be found on page 15 of this report.

Chart 1: Construction Activity Index

Source: RICS

Chart 2: Headcounts

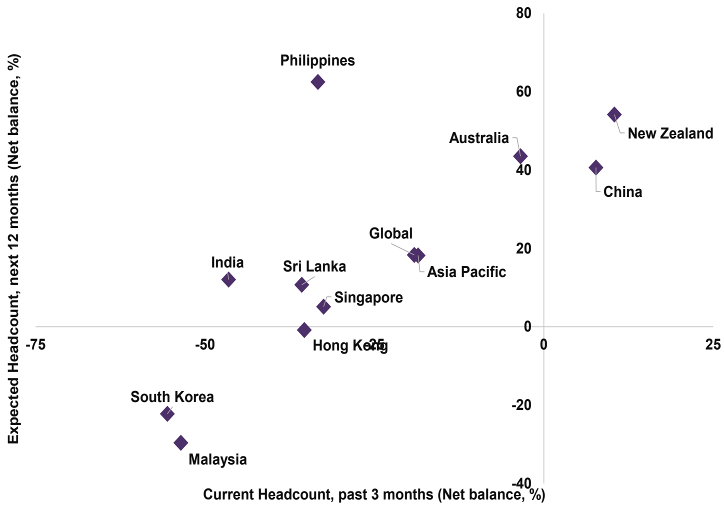
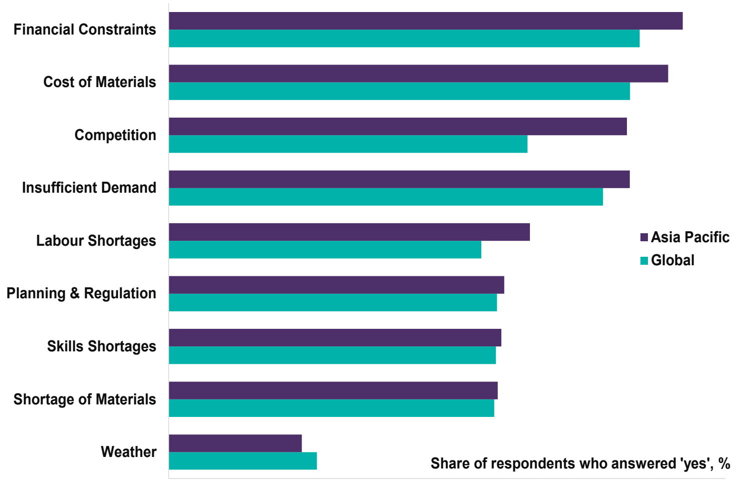
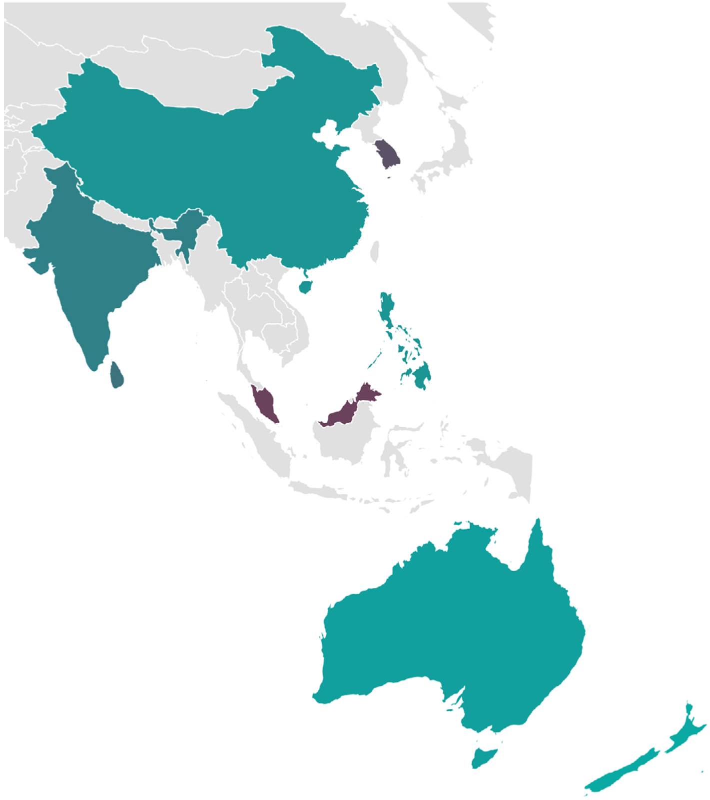


Chart 3: Factors holding back activity



Source: RICS

Regional Comments from Survey Participants in Asia Pacific



Australia

Builders reporting cost increases of 10-25% and/or supply delays for steel, timber, melamine. *-Adelaide*

Shortage of materials especially engineered timber products and roof trusses. *-Brisbane*

Supply chain issues driving up cost of materials, massive demand for private residential. *-Perth*

Sharp reduction of materials shipped or sourced from China is seeing marked joinery price increases. *-Melbourne*

Shortages of house builders in rural areas due to very high demand as homes were destroyed in fires. *-Sydney*

COVID has been overall positive for public infrastructure projects. *-Sydney*

Ability to recruit qualified staff with specific skills is difficult with international borders shut. *-Sydney*

Sharp reduction of materials shipped or sourced from China is seeing marked joinery price increases. *-Sydney*

China

The overall price of the cost consulting fee is low, the labor cost is getting higher and higher, and the cost consulting fee is getting lower and lower. *-Beijing*

Material costs and labor costs have risen sharply, construction costs will rise sharply, the industry is sluggish, and the number of private projects has dropped significantly. It is expected that the industry will reduce expenditure costs. *-Beijing*

The local market is shrinking, and central enterprises have intensified competition. There is still a long way to go to eliminate black-box operations in the bidding process. *-Dalian*

Skilled and unskilled workers continue to be in short supply and prices are rising. *-Haikou*

Ability for skilled workers to travel in/out of the country due to quarenteen measures. *-Shanghai*

Labour costs will rise in the future. *-Shanghai*

The rising trend of construction raw material prices is established in the short term. *-Shanghai*

Large fluctuations in the price of building materials affect the development of the industry. *-Shanghai*

Hong Kong

Longer production and delivery time of long lead items as well as oversea material.

Overseas travel restrictions are dealying project awards and creating inefficiencies.

The decline in demand would boost up competitiveness and drive down bidding price.

India

More residential projects and some non residential projects are now hold due to less market demand. *-Chennai*

Reverse migration of labour is still not settled due to inadequate public transportation arrangments. *-Cochin*

Increase of materials cost & due to local political issue some of the projects have been stopped. *-Delhi NCR*

Unreasonable increase in price of major materials including bitumen, steel and diesel. *-Delhi NCR*

Rising cost of raw materials and labour is impacting the project budgets big time. *-Delhi NCR*

No demand for residential projects, as no buyers are available in market due to high prices. *-Mumbai*

Japan

Some projects have been delayed due to Covid-19 but volume of project remains same. *-Tokyo*

Malaysia

Government changes affecting the recruitment of the foreign labour Malaysia relies. *-Kuala Lumpur*

Oversupply of shopping malls and high end apartments have reduced the launching of such projects. *-Kuala Lumpur*

New Zealand

Limited timber supply likely to affect construction projects in near future.. *-Auckland*

Availabilty of materials into NZ is affected as flights and shipping are restricted. *-Hamilton*

Lack of land development is constraining the residential housing new build opportunities growth. *-Nelson*

Singapore

Border closures affecting the supply of migrant construction workers

Costs significantly increased by Covid-19 factors, some of which passed on in tender pricing

Sri Lanka

Huge scarcity of imported construction materials, equipment and accessories. *-Colombo*

Europe: Strong growth in private residential workloads expected to continue over the coming year

The Q1 2021 Construction Monitor results across Europe are consistent with a further improvement in sentiment throughout the region in aggregate. Leading the way, private residential sector workloads are reportedly rising firmly on the continent, while infrastructure projects are also contributing positively to the overall pick-up in activity. That said, conditions remain more challenging for the commercial sector, with a recovery in workloads yet to come through at the headline level.

Construction Activity Index see widespread improvement

Depicted in Chart 1, the headline Construction Activity Index (CAI) improved to some degree in almost all nations covered across the region over the quarter. The pan-European average climbed from a broadly neutral reading of -1 in Q4 to reach +16 this time out. As such, this measure is now pointing to a genuine increase in overall construction activity at the aggregate level. When disaggregated by country, the Netherlands, the UK and Switzerland all saw a significant upturn in the Construction Activity Index during Q1, with solid growth now being reported in each instance. At the other end of the spectrum, the CAI remained negative in Spain, albeit less so than previously, signalling still subdued momentum behind construction activity at present. Meanwhile, the factors most widely reported to be holding back construction activity across Europe were material costs, insufficient demand, financial constraints, as well as planning and regulation.

Last quarter, a recovery in private residential workloads started to emerge across Europe in aggregate, and this trend gained further traction in the latest survey period. At the headline level, a net balance of +33% of respondents reported an increase in private residential workloads in Q1 (+6% last time), with particularly strong growth being reported within Poland, the Netherlands, Germany and the UK. At the same time, a modest rise in infrastructure workloads was also seen at the pan-European level, evidenced by a net balance of +7% of contributors citing a rise. Within this, the ICT and energy sectors continue to display the strongest impetus, posting net balances of +38% and +35% respectively. Conversely, the transport sector and agribusiness continue to see a more subdued trend in workloads.

Headcounts expected to rise in most markets

Recent employment trends within the industry are highly varied for different countries. Markets such as Italy, France, Cyprus, Spain and Portugal all saw a further cut in headcounts during Q1. Meanwhile, employment numbers reportedly rose firmly in the UK and the Netherlands, while a modest improvement was cited in Switzerland and Ireland. Looking ahead, most markets across Europe are anticipated to see an increase in headcounts over the coming twelve months, led by the Netherlands, the UK, Greece and Poland. There are a few expectations however, as employment expectations remain negative in Portugal and Spain for the year ahead.

Outlook upgraded across all sectors

Q1 also saw expectations for growth over the coming twelve months upgraded significantly across the private residential sector, with the aggregate net balance rising to +56% (up from +32% previously). In fact, expectations across the sector are now positive across all European markets covered. Alongside this, the outlook for the infrastructure sector also strengthened, as the net balance rose to +33% from +5% beforehand. Lastly, while the private non-residential is anticipated to return to growth over the coming year, expectations are much more modest in comparison (net balance +13%).

Chart 1: Constuction Activity Index

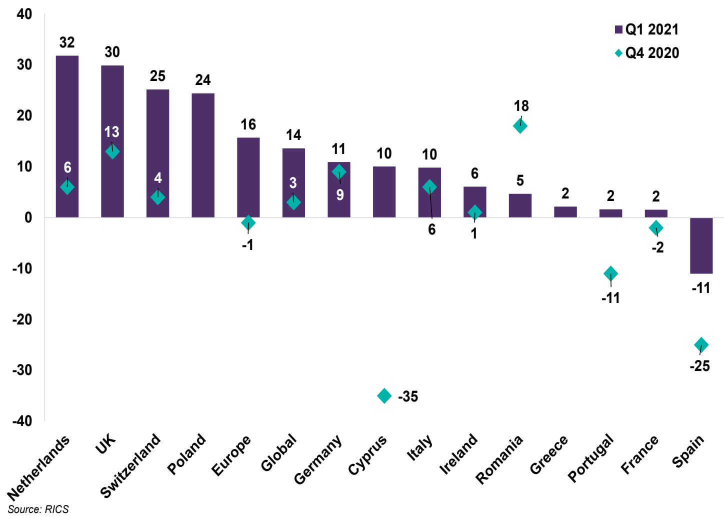


Chart 2: Headcounts

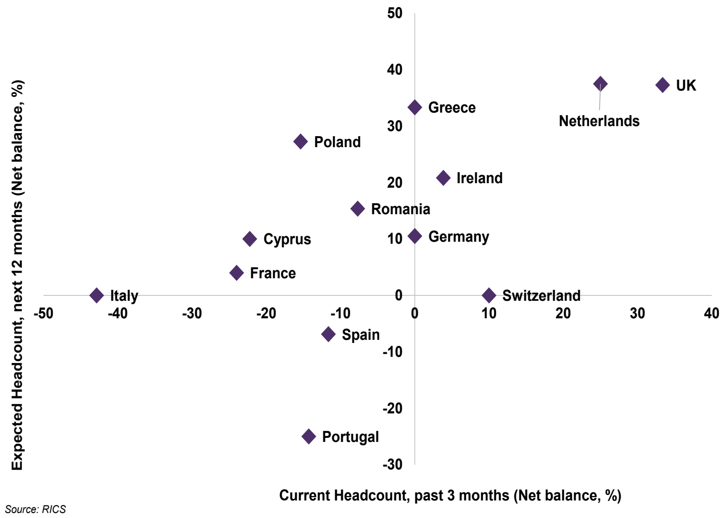
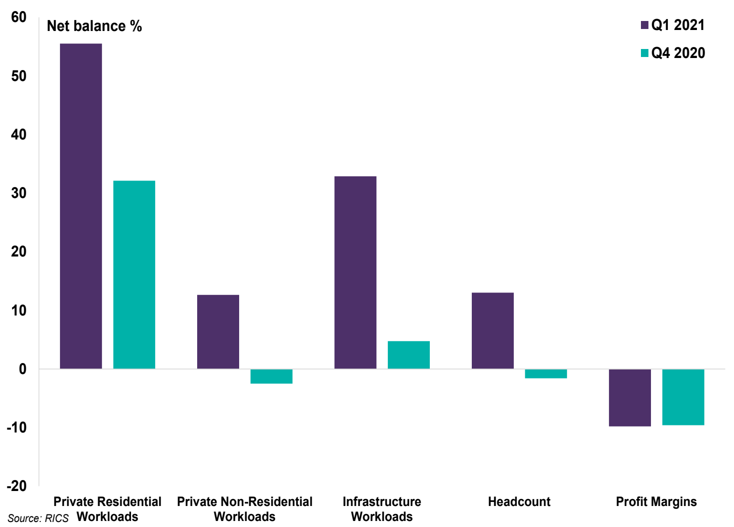
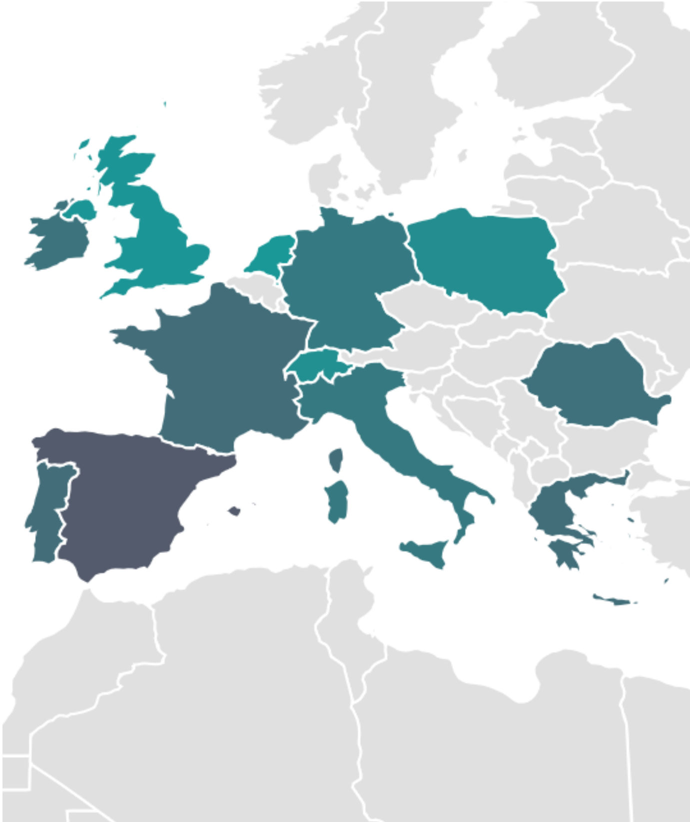


Chart 3: 12-month expectations



Regional Comments from Survey Participants in Europe



Austria

Labour costs increase, material costs increase e.g. Iron has risen more than 40 percent. -*Vienna*

Belgium

A perfect storm. Prices clients are able to pay decline but demand in quality and climate change are rising. -*Brussels*

Cyprus

Cyprus is an island, thus heavily reliant on imports. Travel and transport limitations have an impact. -*Nicosia*

Czech Republic

Site management is even more critical, as sub-contractors will not go to sites where delays happen. -*Prague*

Denmark

Material prices are at a record high. -*Copenhagen*

France

The issuance of building permits is in decline which has a direct impact on the market. -*Paris*

Brexit has impacted labour resource and material costs. -*Provence*

Large demand for skilled and reliable construction companies and skilled trades. -*Nice*

Germany

Hotel projects will not develop anymore. -*Munich*

Cross-border mobility of labour severely constrained. -*Hamburg*

Ireland

Contractors seeking to fill their order books in uncertain times are tendering very tight. -*Munster*

Government mandated lockdowns have shut most construction since January. -*Dublin*

Italy

High demand in residential due to government support. -*Milan*

Because of government assistance called 110% there is a large increase in projects. -*Milan*

Netherlands

Lack of competition in MEP contractors. -*Amsterdam*

Lack of availability of materials (such as, insulation, steel, wood, glass, etc.) -*Amsterdam*

Norway

Generally more difficult due to COVID-19 including delays and associated additional costs. -*Oslo*

Poland

Poland generally continues to attract FDI, hence impact on commercial property/construction limited. -*Warsaw*

Portugal

Shortage of skilled labour and shortage of reliable sub contractors. -*Loule*

Increase in steel prices. -*Lisbon*

Romania

Prices fluctuations for the main materials for construction (panels, steel, etc). -*Bucharest*

Poor regulation of newly constructed residential compounds which spread without infrastructure. - *Bucharest*

Spain

Lack of skilled labour. -*Barcelona*

Switzerland

More outsourcing, demand for contractors seems high, difficulty receiving offers. -*Geneva*

Large vacancy rate put pressure on new buildings. -*Zurich*

Middle East and Africa: Headline sentiment stabilises across the region but several markets remain under pressure

The latest survey feedback across the Middle East and Africa (MEA) points to a more stable picture emerging at the aggregate level, although there remains significant disparity between the strongest and worst performing national markets. Nevertheless, the infrastructure sector comes through as a more encouraging aspect of the outlook, and is expected to see output rise in the year to come across virtually all parts of the region covered by the Monitor.

Aggregate Construction Activity Index moves into neutral territory

Across MEA as a whole, the Construction Activity Index (CAI) posted a reading of +3 in Q1, up from -11 in the previous report. Consequently, this metric is now signalling a broadly stable overall backdrop, having been consistent with a slight deterioration last time out. That said, several national markets returned deeply negative readings over the latest survey period, with results across Oman, Mauritius, Kenya and the UAE pointing to a drop in headline activity. By way of contrast, Egypt and Saudi Arabia exhibit comfortably positive readings, indicative of solid growth in construction activity.

Despite the steadier headline backdrop, respondents across the region cite numerous factors to be holding back activity at present. The most significant impediment appears to be financial constraints, with 89% of respondents citing this as an issue (much higher than the global share of 68%). Alongside this, over two-third of respondents feel material costs and a lack of demand a major constraints on construction activity. Again, in both cases the share of respondents taking this view across MEA exceeds the global figure.

Headcounts reduced in most areas during Q1

The Q1 results also signal that employment levels across the industry continue to fall noticeable. Indeed, as shown in Chart 3, all markets except the vast majority of MEA markets covered saw a drop in headcounts, as Oman, Kenya, Mauritius, the UAE and South Africa all suffering steep declines (in net balance terms). Egypt stands alone as the only nation in which respondents reported a pick-up in heacounts, although a stable trend noted in Saudi Arabia and Kuwait. Looking ahead, employment levels are expected to rise in Saudi Arabia, Egypt and Nigeria, while respondents foresee a steadier trend coming through in Kenya, the UAE, Qatar and Bahrain.

Outlook for infrastructure strengthens

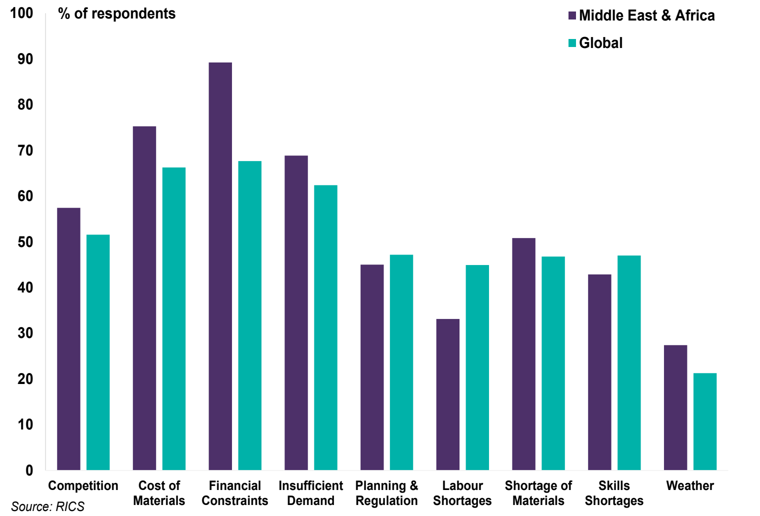
At the aggregate level, a net balance of +45% of contributors anticipate a pick-up in infrastructure workloads over the coming twelve months (up from a balance of +29% in the previous quarter). At the same time, respondents also upgraded their expectations for growth across the private residential sector, with the latest net balance coming in at +30% compared to +12% beforehand. That said, while projections are positive for infrastructure workloads across virtually all regional markets covered, view are much more mixed regarding residential, with respondents in Oman, Mauritius, Kenya and Bahrain returning negative expectations.

Back at the headline level, growth in private non-residential workloads is anticipated to lag the other two sectors over the year to come. Even so, the 12-month expectations series did show some improvement in Q1, as a net balance of +15% of MEA respondents now envisage an increase in activity (up from +6% last time out). However, this expected uptick in overall activity across the market is not anticipated to translate into an increase in profit margins, with the Q1 net balance of -3% pointing to a flat rather than rising trend on the horizon.

Chart 1: Construction Activity Index

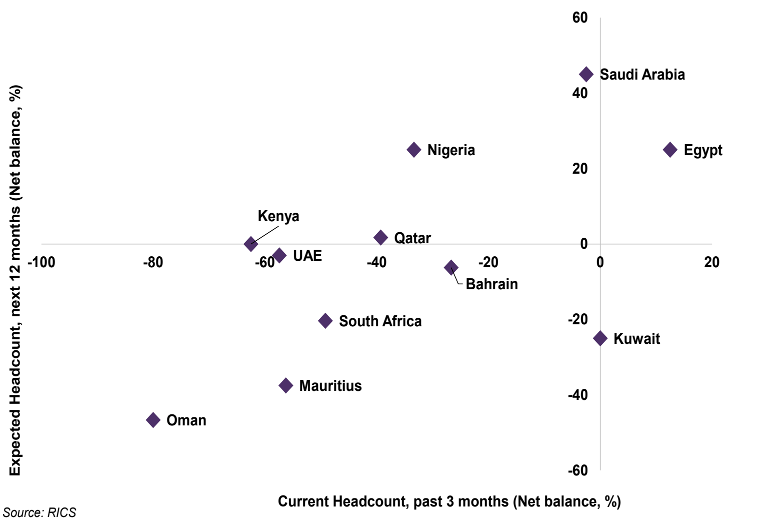
Source: RICS

Chart 2: Factors holding back activity



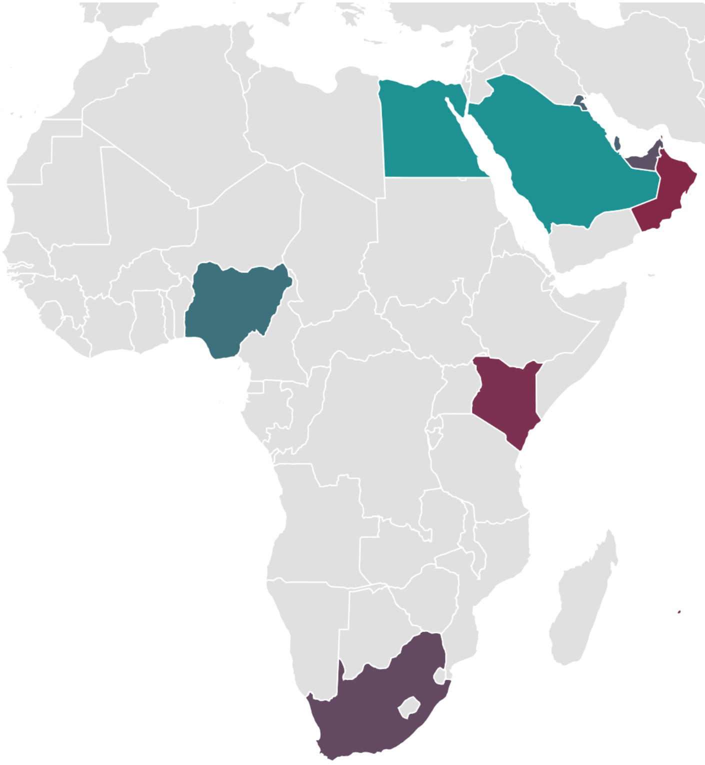
Source: RICS

Chart 3: Headcounts



Source: RICS

Regional Comments from Survey Participants in MEA



Bahrain

Shortage of material supplies. *-Manama*

Over supply of residential property has reduced demand from that sector. *-Manama*

Botswana

Too many contractors bidding for the same project (very high competition). *-Gaborone*

Egypt

Changes in legislation will have a big impact on the construction industry. *-Cairo*

Ghana

Rise in price of imported construction materials because of previous industry shut downs around the globe. *-Accra*

Kenya

Government Policy, lack of affordable financial capital for projects. *-Nairobi*

Kuwait

Government Strict measures implemented due to COVID-19. *-Ahmadi*

Mauritius

As all materials are imported in Mauritius, all prices have gone up. *-Port Louis*

Overall rise in construction cost & freight due to depreciation of local currency against USD. *-Quatre Bornes*

Namibia

There are no capital projects from the government due to the economic meltdown. *-Ongwediva*

Nigeria

Most of the building materials are imported and covid-19 restrictions has affected prices. *-Abuja*

Lack of planning authority and very scarce skilled labour both increase cost of construction. *-Lekki*

Regulations bureaucracy, occupational oversight and paucity of funds are among the major factors. *-Lagos*

Foreign Exchange. Unplanned surge in material prices particularly imported materials. *-Lagos*

Oman

Paucity of funds both for project sponsors and contractors. *-Muscat*

A major factor affecting all involved in construction including consultants is delay in payments. *-Muscat*

Qatar

Shortage of resources at all levels. *-Doha*

Confidence should be boosted now the embargo has been lifted, but there are no noticeable signs yet. *-Doha*

Inadequate levels of skilled labour because of movement restrictions. *-Doha*

Saudi Arabia

The shortage of professional and skilled workers is the main factor affecting the construction. *-Riyadh*

Travel restrictions are affecting construction works. *-Riyadh*

The cost of materials, working permits,skilled professionals, and increasing of taxes in all region. *-Riyadh*

South Africa

Lack of steel in the market causes delays as well as price hikes. *-Bloemfontein*

Government tenders for professional services seldom being awarded and often cancelled. *-Cape Town*

Site works are being disrupted by the so called local business forums who demand sub-contract works. *-Durban*

Funding has been dramatically impacted as clients are holding back on spending. *-Johannesburg*

Tanzania

Approvals delays in planning and building regulations. *-Dar es Salaam*

Turkey

Lack of decision making over Covid-19 by the employer is delaying the projects. *-Gaziantep*

Uganda

Skills gap, increased demand for residential properties due to working from home. *-Kampala*

UAE

Due to restrictions on free movement from Dubai to Abu Dhabi, local firms are increasing their rates. *-Abu Dhabi*

Bigger developers have taken a break from new developments. They need to come back with new projects. *-Dubai*

More contractors competing for a smaller amount of work. *-Dubai*

RICS Consensus 12-month Expectations

	Tender Prices	Construction Costs	Materials Costs	Skilled Labour*	Unskilled Labour*
Global	+3.1%	+5.9%	+6.3%	+4.1%	+2.9%
Americas	+3.8%	+6.4%	+7.7%	+4.0%	+2.4%
Brazil	+2.5%	+8.7%	+9.8%	+2.0%	+1.1%
Canada	+4.4%	+7.0%	+8.4%	+4.4%	+3.4%
USA	+4.4%	+5.9%	+7.1%	+4.3%	+2.6%
Asia Pacific	+2.7%	+5.8%	+5.9%	+4.5%	+3.6%
Australia	+3.0%	+4.9%	+5.4%	+4.7%	+3.0%
China	+2.8%	+5.7%	+5.9%	+5.2%	+3.7%
Hong Kong	-0.3%	+2.1%	+3.3%	+1.7%	+0.7%
India	+3.5%	+6.5%	+6.3%	+5.8%	+6.0%
Malaysia	-1.0%	+4.4%	+5.4%	+4.1%	+4.0%
New Zealand	+4.2%	+6.5%	+7.6%	+5.5%	+3.7%
Philippines	+6.3%	+7.6%	+5.8%	+4.3%	+3.0%
Singapore	+4.2%	+7.8%	+7.5%	+8.5%	+7.3%
South Korea	+4.0%	+5.8%	+5.0%	+4.9%	+2.2%
Sri Lanka	+3.5%	+7.8%	+8.4%	+6.0%	+4.8%
Europe	+3.0%	+5.0%	+5.3%	+3.4%	+2.0%
Cyprus	+2.1%	+4.7%	+3.3%	+2.9%	+1.0%
France	+1.8%	+6.6%	+7.6%	+2.6%	+1.3%
Germany	+2.8%	+4.7%	+4.7%	+3.0%	+0.3%
Greece	+2.9%	+3.8%	+3.4%	+2.6%	+1.5%
Ireland	+3.5%	+6.4%	+6.6%	+5.4%	+4.2%
Italy	+1.0%	+3.4%	+5.0%	+0.9%	-0.2%
Netherlands	+2.6%	+3.9%	+3.7%	+3.2%	+1.4%
Poland	+3.0%	+5.7%	+5.6%	+4.9%	+4.0%
Portugal	+3.6%	+4.4%	+4.1%	+5.1%	+2.7%
Romania	+3.8%	+6.3%	+6.4%	+7.1%	+5.5%
Spain	+0.2%	+4.2%	+4.7%	+3.7%	+2.1%
Switzerland	+2.3%	+2.0%	+3.5%	+2.3%	-1.1%
UK	+4.4%	+5.4%	+6.4%	+4.7%	+2.8%
Middle East & Africa	+3.3%	+7.1%	+7.1%	+4.3%	+3.0%
Bahrain	-0.6%	+4.2%	+6.1%	+2.2%	+1.9%
Egypt	+4.5%	+8.2%	+7.1%	+6.8%	+5.9%
Kenya	+0.7%	+1.8%	+1.7%	+3.4%	-1.1%
Kuwait	-0.5%	+5.3%	+6.0%	+6.3%	+5.2%
Mauritius	+5.3%	+8.5%	+10.0%	+4.5%	+4.1%
Nigeria	+3.9%	+8.7%	+9.1%	+5.6%	+4.0%
Oman	+0.9%	+5.5%	+5.5%	+0.1%	-0.8%
Qatar	+1.5%	+5.7%	+5.8%	+3.2%	+3.3%
Saudi Arabia	+3.3%	+6.2%	+5.1%	+4.5%	+1.8%
South Africa	+3.7%	+6.5%	+7.7%	+3.4%	+3.4%
UAE	-0.8%	+1.9%	+2.9%	+0.0%	-0.1%

*Skilled and unskilled labour are expected changes of per unit skilled and unskilled labour costs

Information

Global Construction Survey

RICS' Global Construction and Infrastructure Survey 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 12 March 2021 with responses received until 11 April 2021. 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 2270 company responses were received globally, 597 of which were from the UK.

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

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

Disclaimer

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

PICQS

Consejo General de la Arquitectura Técnica de España

nvbk Nederlandse Vereniging Bouw Kostendeskundigen — Financiële Beheersing van Bouwprojecten

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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