

ECONOMICS



Global Construction Monitor

Q4 2024

Responses were gathered in conjunction with the following organisations:



Canadian Institute of
Quantity Surveyors

Institut canadien des
économistes en construction



AACE
INTERNATIONAL

Growth in construction workloads appears to regain some momentum at the global level

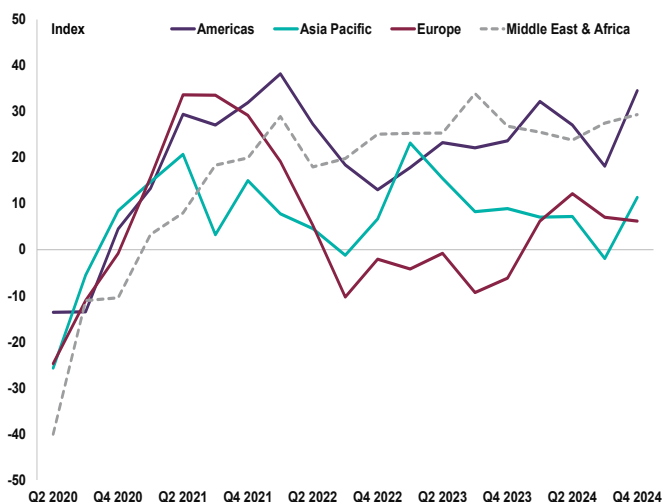
- Construction Sentiment Index rebounds during Q4
- Feedback across the Americas turns more upbeat, while some of the negativity across APAC diminishes
- Outlook for profit margins turns a little firmer amid a slight easing in material cost pressures in recent quarters

The Q4 2024 RICS Global Construction Monitor results signal a slight rebound in momentum to end the year, with workloads reportedly picking up across all sectors to a greater or lesser degree. Moreover, the outlook for the coming twelve months remains generally positive in many parts of the world, albeit a few nations continue to display a more cautious forward-looking picture.

Construction Sentiment Index bounces back following the slight dip seen in Q3

At the global level, the CSI posted a reading of +17 in Q4, up from a figure of +8 returned in the previous iteration of the survey. Significantly, this marks the strongest headline reading since the early part of 2022. Chart 1 shows the CSI broken down at a broad regional level. Leading the improvement over the latest survey period, the Americas registered a CSI reading of +35 in Q4, representing a noteworthy increase compared to the figure of +18 seen last time. Alongside this, MEA continues to exhibit strong overall sentiment, very much consistent with the feedback seen over the past couple of years (the Q4 CSI came in at +29). By way of contrast, the picture remains altogether flatter across Europe, even if the Q4 CSI reading of +6 is at least in marginally positive territory. Interestingly, the headline results across APAC showed signs of recovery in Q4, evidenced by the CSI climbing to +11 from -2 previously.

Chart 1 - Construction Sentiment Index by Region

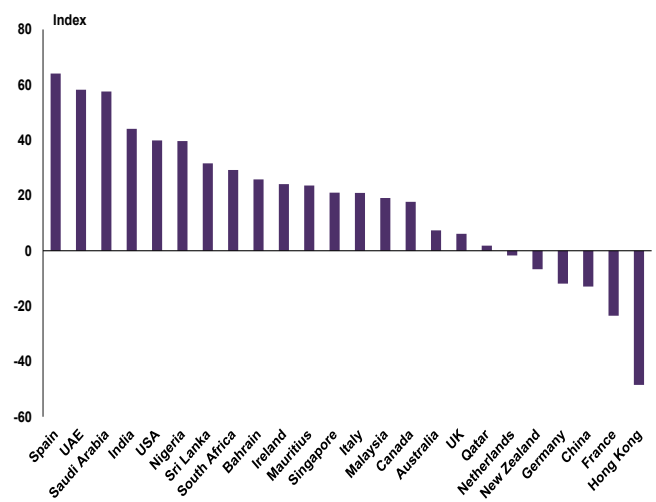


Disaggregating the results further down to the country level (Chart 2) shows the feedback across China turned noticeably less downbeat. Indeed, although still relatively weak when viewed in a global context, the Chinese CSI reading did retrace to -13 from -33 last time. That said, this less negative view was only really apparent across the mainland, while Hong Kong did not see any such improvement. Elsewhere across APAC, India, Malaysia, Singapore and Malaysia all continue to display positive CSI readings.

Looking across the Americas, the United States saw a strong uplift in its CSI reading this quarter, rising to +40 from +19 in Q3. This was driven by a well-rounded acceleration in workloads, with infrastructure in particular seeing a robust pick-up in momentum. Meanwhile, the results for Canada are also positive to some extent across all sectors, although, unlike in the US, there was little in the latest data to suggest the market gained impetus.

For MEA, Saudi Arabia and the UAE remain amongst the standout performers on a global comparison, with both markets continuing to return robust overall results. Also of note across the region, the latest feedback for South Africa shows significant improvements, as the CSI increased to +29 from +17 last quarter. In fact, this represents the strongest headline reading across the nation since the survey was formed in 2019, led by solid

Chart 2 - Construction Sentiment Index by Country



growth now being reported in the infrastructure and private non-residential categories.

For Europe, going against the flat headline picture, Spain has seen a significant pick-up in market activity over recent quarters, with the latest results pointing to a further acceleration in Q4 (as the CSI rose from +41 to +64). By way of contrast, France and Germany returned negative CSI figures, with the former seeing a deterioration relative to the Q3 results.

Infrastructure continues to display the brightest outlook

As shown in Chart 3, respondents across all world regions continue to anticipate infrastructure workloads rising over the year to come, although expectations are more varied (in parts of the world) across the other sectors covered. Notwithstanding this, for MEA, all sectors again returned solid expectations for growth, even if the latest readings are not quite as elevated as those found at the earlier stages of the upturn. Meanwhile, contributors based in the Americas foresee an especially robust expansion in infrastructure activity in the year to come, posting a net balance of +58%. This increased positivity is particularly evident across the United States, where a net balance of +71% of respondents envisage a rise in infrastructure workloads. At the same time, US respondents have also turned more bullish on the outlook for private non-residential development activity, with the forward-looking net balance in this area rising to +48% from +35% in Q3.

At the other end of the scale, expectations are only slightly positive across private non-residential in Europe, with most nations anticipated to see a small uplift in the year to come. Lagging the broader narrative, respondents in France have turned more pessimistic and now envisage a contraction in non-residential construction output. Across APAC as a whole, the outlook for the private non-residential sector is only mildly positive, albeit this is being dampened by continued caution in China (even if sentiment is less downcast than before).

For the private residential sector, a net balance of +22% of respondents across both Europe and APAC expect workloads to rise over the next twelve months, with most nations within these regions displaying a

Chart 3 - Twelve-month expectations by sector

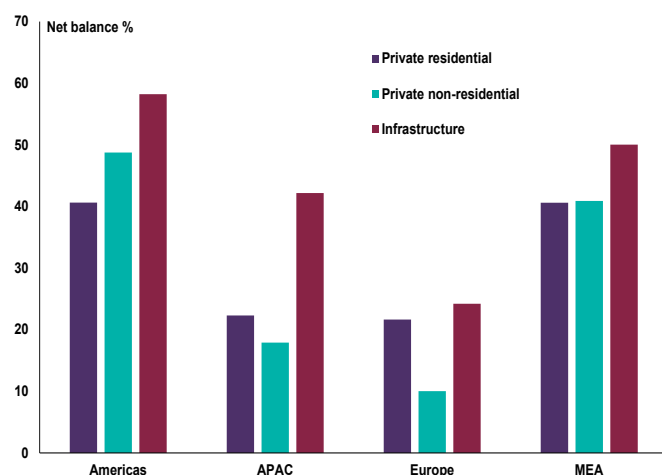
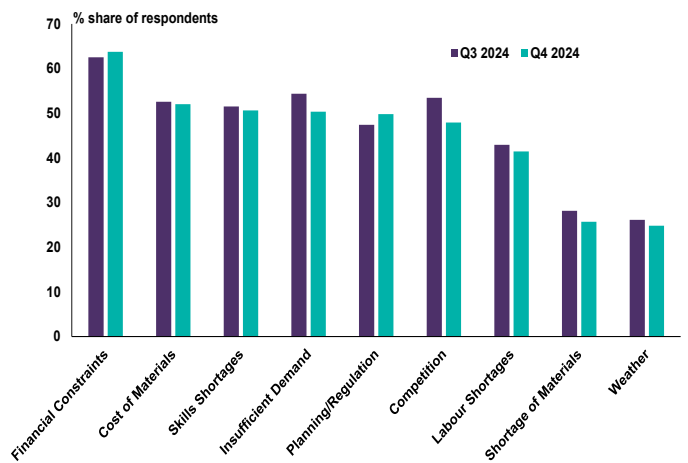


Chart 4 - Factors Limiting Construction Activity



positive assessment for the sector over the coming twelve months. There are some notable exceptions however, with France, Germany and China among the small number of nations where private housing development activity is seen falling.

Financial constraints remain significant

As illustrated in Chart 4, financial constraints were once again the most widely referenced factor said to be holding back activity. This theme has now topped the list of obstacles in each of the past five quarters. Not helping in this respect, credit conditions reportedly tightened slightly during Q4, with the net balance for the series capturing changes over the past three months slipping to -5% at the global level (compared to +2% in Q3.) That said, a net balance of +19% of respondents do anticipate some degree of loosening in the credit environment over the next twelve months. When disaggregated, survey participants across the Americas and MEA display somewhat stronger conviction that the credit backdrop will improve compared to expectations found within Europe and APAC.

Aside from financial constraints, close to 50% of respondents continue to point to the cost of materials as having a negative impact on construction activity. Although still clearly a significant issue, the proportion of respondents mentioning this factor has consistently eased in recent quarters, falling from a high of 91% back at the start of 2022. Skill shortages also remain a widespread problem, with 51% of the global sample highlighting a lack of access to skilled labour to be impeding business (even if these pressure are not quite as intense as back in 2021/2022). From a regional perspective, skills shortages appear most acute across the Americas, most likely linked to the stronger picture for demand in this area compared to some other parts of the world.

Globally, a net balance of +18% of respondents expect industry profit margins to improve over the year ahead. In keeping with the tone across much of the results, survey participants working in MEA and the Americas are more optimistic regarding the prospects for margins, returning respective net balances of +33% and +35%. Meanwhile, the net balance of +2% across Europe is indicative of a generally unchanged picture for profitability over the coming twelve months, while, at +13%, the outlook has now turned slightly positive across APAC as a whole.

Chart 5 - Global twelve-month cost projections

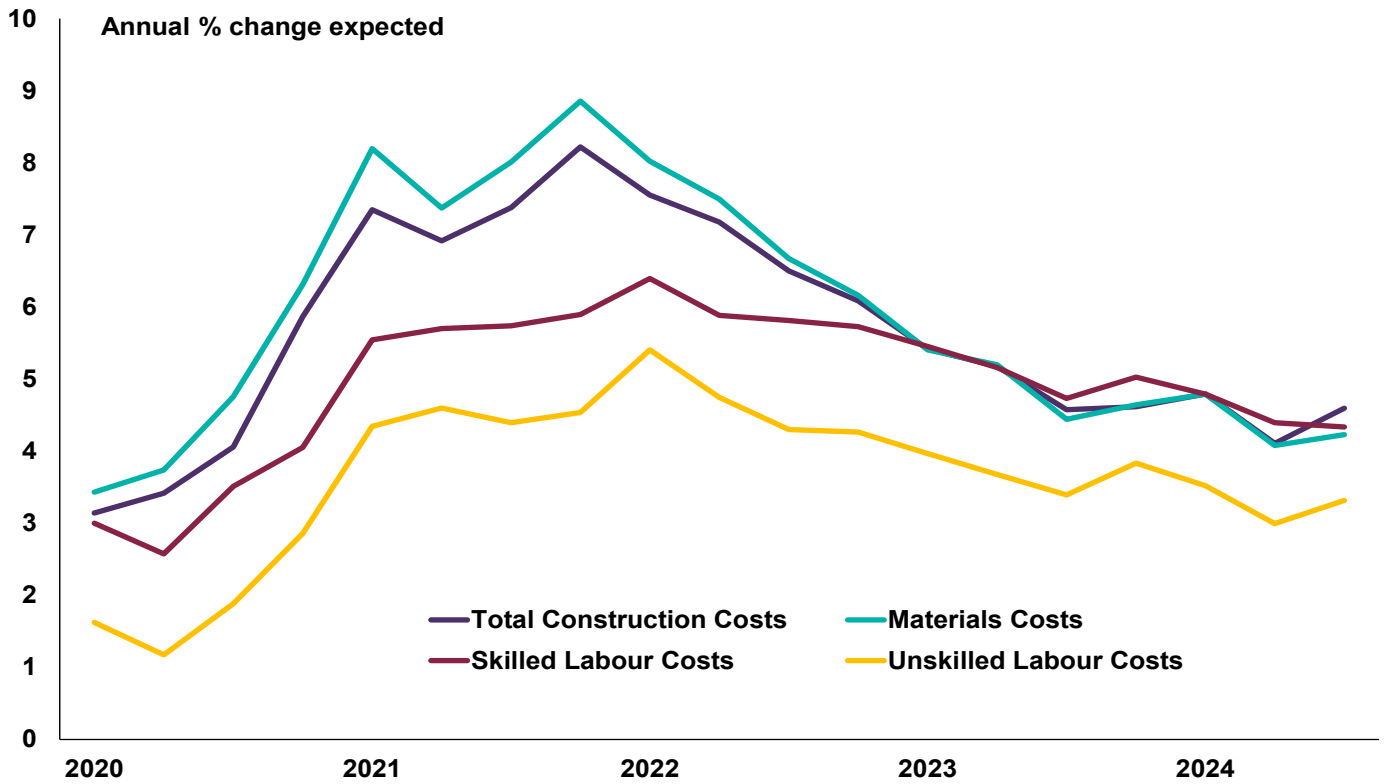
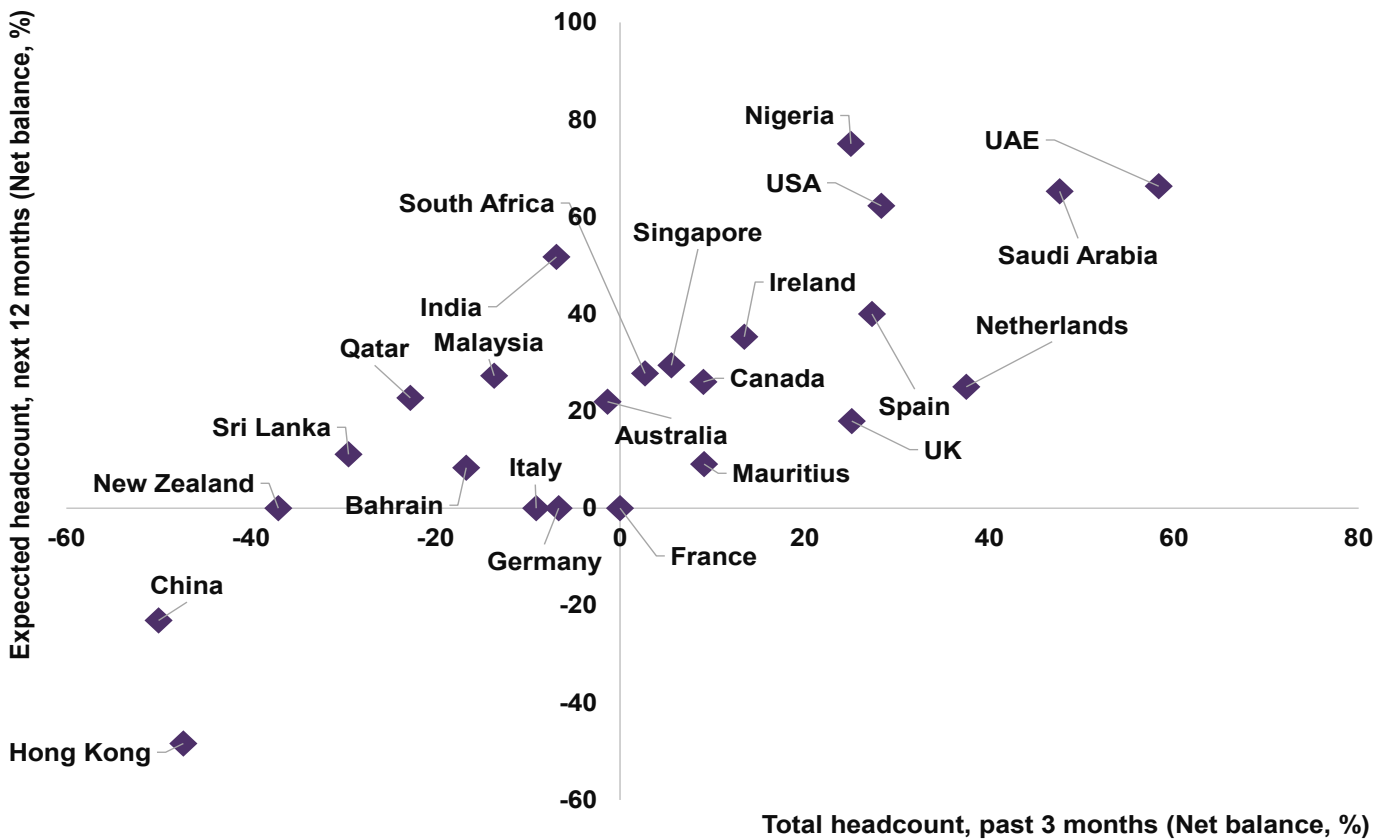


Chart 6 - Current and expected trends in industry headcount by country



APAC: Headline index posts modest rise in Q4 with India remaining the strongest market

The Construction Sentiment Index (CSI) for the APAC region in aggregate rebounded in the final part of last year, climbing from -2 to +11. Disaggregating the results at a country level shows an uplift in sentiment in a number of markets (Chart 1). Continuing the firm trend reported through 2024, India again stands out as having the strongest reading with the index remaining close to where it was in Q3 at +44. Elsewhere, Sri Lanka, Singapore and Malaysia continue to post positive CSI numbers. Similarly, sentiment in Australia is still just the right side of neutral where public projects are an ongoing theme of the market. On the weaker side, New Zealand, China along with Hong Kong continue to reflect a downbeat mood in the face of challenging macroeconomic headwinds.

Mixed picture in workloads across APAC

At the aggregated level, both the residential and non-residential sectors saw a flat trend in workloads, recording net balances around zero. Meanwhile, the infrastructure metric continues to signal a more solid pattern of activity with the workloads indicator increasing from a net balance of +4% to +20%. However, as illustrated in Chart 2, the picture is predictably mixed at a country-sector level. With firm growth momentum, India, Singapore and Malaysia exhibit relatively balanced increases in current and expected workloads at a sector level. Meanwhile, Sri Lanka based respondents are more optimistic about the outlook even though only private residential sentiment is materially in positive territory in terms of the current trend.

As far as Australia is concerned, the construction sector is relying heavily on public projects with the metrics for private sector development hovering near zero in net balance terms. At the weaker end of the spectrum, Hong Kong, China, and New Zealand have recorded contractions in workloads across all sectors. However, respondents in New Zealand anticipate a turnaround in the next 12 months, in contrast to the still pessimistic outlook particularly in Hong Kong. Notably, China's stimulus effort should gradually provide a boost to infrastructure sector.

Divergent trends in cost and price projections

Chart 3 compares the projections for tender prices and construction costs over the next twelve months. At an aggregated level, costs are seen as likely to continue increasing at a faster pace (although it is worth noting that the net balance projection in the forward-looking profit margin series is slightly more encouraging at +13%). When drilling deeper, the price pressures are visible across the advanced markets like Australia, Singapore and Malaysia. In contrast, forecasts in China point to a deflationary risk where the tender price metric is pointing to a fall (of close to 3%).

Financial constraints remain the top challenge

When it comes to the factors holding back activity, financial constraints remains to be the most mentioned (73% of respondents across APAC). That said, in Australia and India, skills shortages along with labour shortages are the top issues, identified by around 70% of contributors. More specifically, in both countries skilled trades as well as quantity surveyors (and also project managers) are highlighted as being areas where recruitment is particularly difficult.

Chart 1 - Construction Sentiment Index

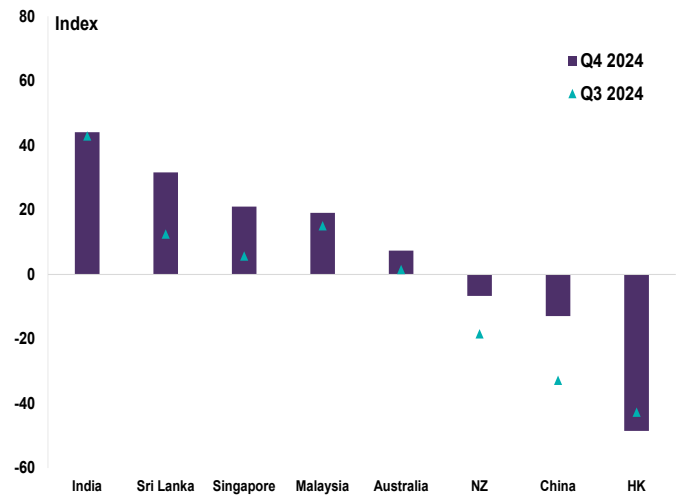
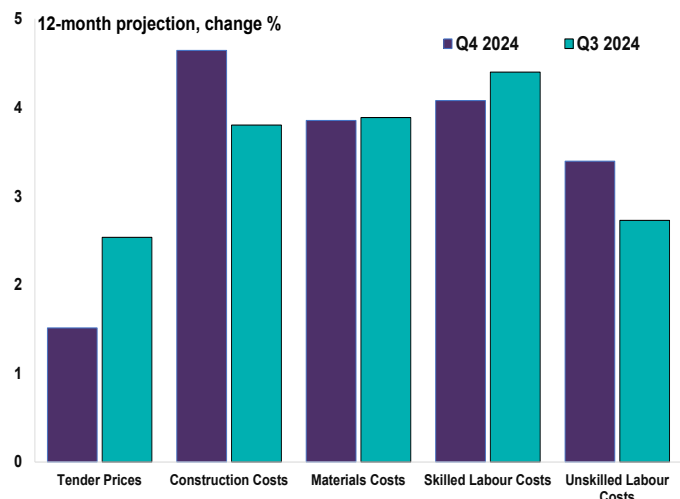


Chart 2 - Current and Expected Workloads by Sector



Chart 3 - Tender Price and Construction Cost Forecasts



Regional comments from survey participants in APAC

Australia

Union pressure increased labour rates beyond CPI, reduced capacity in pipe supply for drainage, with greater regulation eroding margins. - Brisbane

Financing continues to be the biggest area affecting most projects that we are involved in. - Brisbane

Poor productivity. - Brisbane

Uncertainty regarding BPIC. - Brisbane

Competition and low-ball prices from competitors. - Brisbane

There has been a recent change in state government in the past two months. As usual, the incoming government is carrying out 100-day reviews around hospital and health programs and Olympic games programs. This will stall components of the construction and development programs. The upside for Australia is that downward pressure will be less over the next month for a reduction of interest rates now that inflation rates have reached between the 2 to 3% range. - Brisbane

The cost of compliance has eroded profitability, decreasing supply. There is demand, but not at higher prices which are unaffordable. - Cairns

The coming potential trade war between the USA and China is generating uncertainty for developers, and the delay in interest rate drops is stalling the residential market. - Hobart

Insufficient workload in the schools and universities that are our major clients, and fierce competition for what work there is. - Lane Cove

Capability and lack of awareness of QS function. - Queensland

Cost of construction has increased 50-80% since Covid so virtually all projects are financially unviable. - Melbourne

Prices are still increasing, but the workload will level out. - Mosman Park

Disputes can still be traced back to inadequately trained contract administrators, incorrect personnel in cost and contract administration roles, poorly maintained records, and failure to comprehensively deal with issues when they first arise. - Perth

Unstable global economy is playing crucial role in Perth construction sector, in particularly mining. - Perth

The market demand and government budget will affect the construction market. - Sydney

Labour of all types is a challenge. - Sydney

Construction has been propped up by public spending for quite some time to the detriment of private development. Skilled trades labour shortages have increased labour costs, which public projects can absorb, but private developers cannot make financial sense of these large capital cost increases. Once public works slow down, hopefully this will stabilize labour costs and provide private developers with better

financially viable opportunities (e.g., building affordable housing). - Sydney

Lack of competition as many builders gone bust. - Sydney

Energy market stalled and construction is very late to start. - Sydney

Inflation and interest rates. - Sydney

Uncertain project in the pipeline. - Sydney

Downturn in pipeline - waiting for election outcomes. - Sydney

Political decision-making and changes in government. Financial constraints at the public sector level, including cuts to budgets. - Sydney

Significant increase in power & water sectors. - Sydney

Brunei

Insufficient projects in the market both domestically and internationally due to sluggish economic conditions globally. - Bandar Seri Begawan

China

The changes in measurement rules and list regulations have a significant impact on the construction market. - Beijing

The market is weak, and there is a shortage of cash flow. - Chengdu

The domestic and international macro environment affects the development of the economy. - Chengdu

The downturn in the real estate development sector significantly impacts the supply and demand dynamics of the entire construction materials industry. In my opinion, this is currently the most significant factor. - Hangzhou

The construction market continues to shrink. - Shanghai

Fiscal investment and monetary policy have a significant impact on new construction projects. - Shanghai

Regulation. - Shenzhen

The overall economy is sluggish, and many aspects of the future appear relatively unfavorable. - Shenzhen

Hong Kong

Decline in economic activities.

Employer backed down from a new project due to the property market downturn.

Payment delay.

Lack of professional and technical staff.

Government measures.

Downturn economic development.

Real estate prices are rising, and market confidence is being restored.

Political environment.

These factors need to be considered, which are affecting the construction market, such as a shortage of financial funding, an aging

skilful workforce in the local industry, and misalignment of payment terms for main contracts and sub-contracts.

Heavily affected by recent economic downturns and political considerations. Retail and property markets are the worst sectors affected by the economy.

Decrease in private projects leading to lower job opportunities for both consultant firms and building contractors.

In Hong Kong, the main drivers are the skilled labour shortage, increased labour and material costs, and reduced supply in the business chain. There is also less supply for large-scale and medium-scale projects and new developments. These issues are due to the deterioration of the business market and decreased investment in the Hong Kong market. Employers and investors have become more cautious about spending money on construction projects, including renovations and new builds.

Policy changes.

Economy.

Budget.

Global economic downturn.

Labour cost, volume of works.

Low demand and adverse market environment.

Lack of construction projects.

Broader economic conditions – there is pent-up demand, but conditions aren't yet sufficiently advanced to start another construction cycle.

HK Government budget constraints are significantly affecting project cash flows.

Employee costs are too high.

The recent financial conditions in the construction field in Hong Kong have worsened, with most main contractors facing cash flow problems.

Market oversupply.

The economic depression in China.

Hong Kong's construction industry faces challenges like economic slowdown, rising interest rates, supply chain disruptions, and labor shortages, leading to a -0.5% growth rate from 2017 to 2022. Government investments in infrastructure are expected to drive recovery with over 2% growth from 2025 to 2028. Developers are focusing on the rental market due to increased demand from mainland professionals and students. Land supply is limited, with only 7.9% used for residential purposes as of 2020. Policies and regulations significantly influence the industry's growth and sustainability.

India

Government statutory approvals. - Bengaluru

Demand and supply gap in residential and urban-focused commercial developments has demand. Government policies may need adequate amends. - Bengaluru

Regional comments from survey participants in APAC

Political instability, the presence of letter pad parties, and the perception of the ruling government. - Chennai

Lack of local authority support and involvement. - Chennai

Ease in bringing international best practices and customizing them to meet local market requirements. - Delhi

Weather conditions, GRAP compliance. - Guragon

Skilled Workforce, conditions of contract, refined professionals, etc. - Hyderabad

Change in government. - Hyderabad

Mostly regulatory issues and lack of demand due to financial issues. - Mumbai

Labour Shortage and GST. - Mumbai

Client following traditional methods of project management and giving less preference to BIM. - Pune

Increase in prices of men and material. - Thoothukudi

Indonesia

Lots of damage is being caused by PMI, AACE, and APM through knowledge-based certifications (as opposed to competency-based credentialing). - Jakarta

Japan

The major impacts are due to labor shortages and rising costs. - Tokyo

Regulation on overtime work limits. - Tokyo

Malaysia

Competition and non-ethical practice. - Kota Kinabalu

US Chips Act - semiconductor manufacturers favour US and Europe. - Penang

The prevailing Middle East and Ukraine conflicts, along with the incoming Trump administration in 2025 in the United States, will greatly affect world trade. - Kuala Lumpur

Clear and consistent authority guideline. - Kuala Lumpur

Market fluctuation. - Kuala Lumpur

Other than digitization, issues such as IBS have been slow in implementation on a wide scale. If properly implemented, they will be able to reduce our dependence on foreign workers and lower the overall cost of construction. - Kuala Lumpur

Lack of skill and knowledge in carbon footprint and whole life carbon assessment. - Kuching

Construction projects are less and slow. - Petaling Jaya

New Zealand

Interest rates and land values. - Auckland

Government spending reduced. - Auckland

High interest rates. - Auckland

Government policy. - Auckland

Lack of government spending is negatively affecting the industry as a whole. - Auckland

Economic downturn due to high interest rates. - Auckland

Low standard of skillset. - Auckland

Public spending, central government and local government policies. - Auckland

Drop in the OCR is beginning to revive the market. - Auckland

The now one-year old National government is still tightening NZ's belt and making progress challenging in the construction industry. - Christchurch

Demand and decision-making are currently restricted but are anticipated to improve with likely interest rate reductions over Q1 2025. - Christchurch

Recession combined with government-led austerity. - Christchurch

Interest Rates - they are on the way down. - Hamilton

New Zealand is technically in recession. - Queenstown

Philippines

In downturn. - Manila

Errors in design early on can lead to issues later in the construction process. Low-quality or damaged materials can cause construction problems, while a lack of skilled labor is a common challenge. Budget constraints can impact projects, and securing building permits can also pose difficulties. Additionally, supplier failures can affect the progress and success of construction projects. - Manila

Singapore

Regulatory requirements such as conditions for work permit applications.

Restrictions on foreign labour and some professionals

Lack of QS in Singapore.

The upcoming mega projects of Changi Airport T5 and additions to the two Integrated Resorts (Marina Bay Sands and Resort World Sentosa) are likely to increase the demand for materials, labor, and major trades subcontractors. Consequently, construction costs are expected to rise over the next 12 months.

Lack of junior QS.

Pretty stable.

Sri Lanka

Difficulties arose due to the financial disaster and the slow recovery. - Colombo

The construction market faces challenges such as rising costs due to inflation, policy uncertainty, material shortages, and skilled labor migration. Stricter environmental regulations, poor transport infrastructure, competition from informal contractors, and slow adoption of modern technologies further hinder progress. Collaborative efforts are needed to stabilize and improve

the market. - Colombo

Political imbalance. - Colombo

New political dimensions, inability to access digitization tools, and general readiness. - Dehiwala

Economic and political situation. - Kandana

Thailand

The general economic status remains weak in 2025. The new government's plans emphasize tourism, social well-being, and debt restructuring. Infrastructure spending is not a priority, which does not bode well for the built environment. - Bangkok

Europe: Market backdrop increasingly mixed across different parts of the region

The Q4 2024 GCM results for Europe point to a generally flat picture at the headline level, with modest growth in workloads across infrastructure being largely offset by stagnant trends for private residential and non-residential workloads. When looking into the country level data however, there appears to be a growing divergence across different parts of the region.

Construction Sentiment Index powers ahead in Spain but deteriorates across France

At the pan-European level, the CSI posted a reading of +6 in Q4, minimally changed from the figure of +7 seen last quarter. As such, this measure continues to signal a relatively lacklustre overall backdrop across the European construction market in aggregate.

Defying the wider picture however, the Spanish market has seen a sharp improvement in recent quarters, posting a CSI reading of +64 in Q4, up from an already strong value of +41 in the previous iteration of the survey (Chart 1). In fact, this puts the nation as the strongest performer for this metric across all countries covered by the Monitor globally. Alongside this, Ireland and Italy registered comfortably positive CSI readings in Q4. In both cases, this marked an improvement compared to the Q3 feedback. By way of contrast, France saw its CSI reading slip into negative territory during Q4, falling to -23 from +16 previously. Similarly, the headline feedback across Germany remains downbeat, with the CSI posting a reading of -12 over the latest survey period (albeit this is marginally less negative than -17 seen previously).

Infrastructure and private residential workloads still seen as the most promising sectors for growth

As shown in Chart 2, the feedback at the European aggregate level continues to point to some expansion in workloads across all broad categories over the year ahead. That said, these expectations have been scaled back of late. Still, a net balance of +24% of contributors anticipate infrastructure activity rising in the next twelve months. Similarly, private residential workloads are also expected to rise, with the net balance standing at +22%. Lagging these sectors somewhat however, forward-looking sentiment is only marginally positive regarding private non-residential activity (net balance +10%).

When viewed at a country level, Spain exhibits robust expectations across all sectors for the year to come, with confidence in the outlook improving further over Q4. At the same time, respondents based in Ireland, Italy and the UK do expect some growth to come through across all categories, although private commercial displays only modestly positive sentiment. In Germany, expectations are negative for the private residential sector, while only marginal growth is anticipated across private commercial and infrastructure in the year to come. For France, respondents are altogether more downbeat on the outlook, with construction activity seen falling across both private residential and non-residential sectors over the next twelve months.

Material cost pressures appear to re-intensify

Chart 3 shows the proportion of respondents citing the cost of materials to be hampering activity rebounded during Q4, with around 60% of the European sample flagging such issues. Alongside this, just under two-thirds of respondents point to financial constraints and planning & regulation as negatively impacting the market. Likewise, skills shortages remain a prominent issue across the continent, with access to skilled trades particularly problematic.

Chart 1 - Construction Sentiment Index by Country

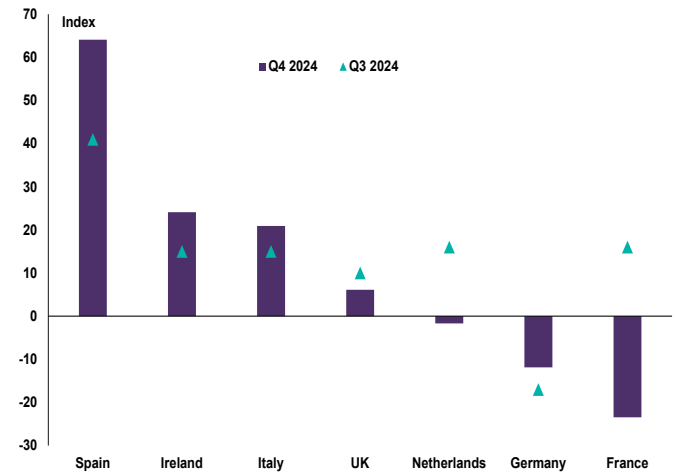


Chart 2 - Twelve-month Expectations

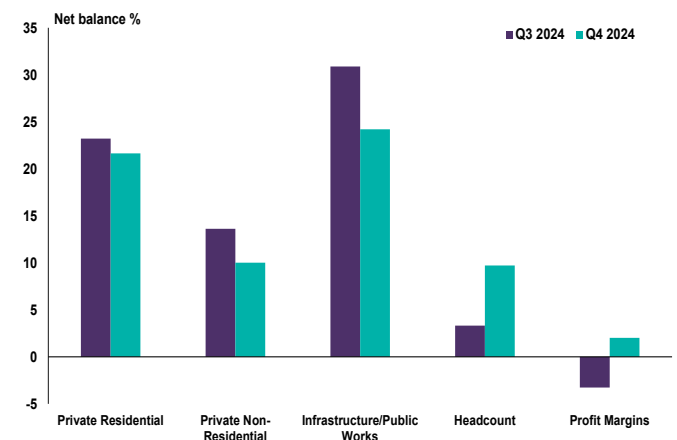
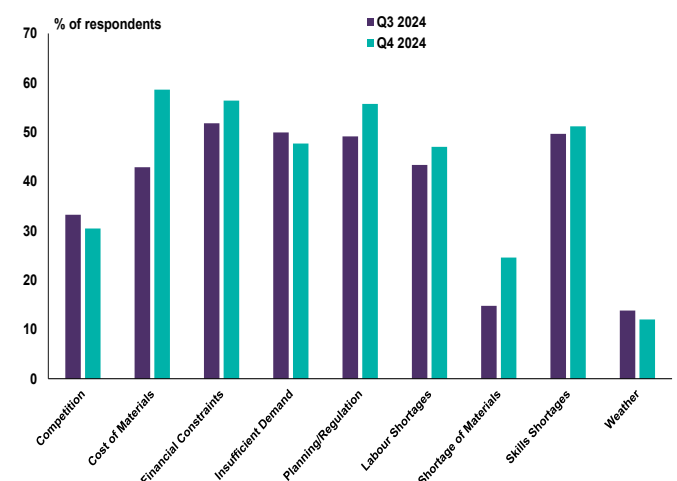


Chart 3 - Factors Limiting Activity



Regional comments from survey participants in Europe

Austria

High labour costs. - Vienna

Belgium

Interest rates are a barrier. - Brussels

Bulgaria

Professional fees are being squeezed to a point that it is becoming no longer viable to operate.- Sofia

Cyprus

Banks are difficult, engineers hard to find, unions and strikes in the market. - Larnaca

Extremely low fees by competitors. - Nicosia

France

French administration is onerous. - National

Germany

Lack of landfill capacity, particularly for excavated and demolition materials - Frankfurt

Little investment from institutional clients, a lot of bureaucracy, long approval periods from the authorities. - Hamburg

Little new construction because manufacturing costs are excessive and loan approvals are difficult. - Hamburg

Uncertainty of the end customer, economic difficulties with depression - Munich

Greece

Road to digitalization for the construction industry is challenging due to lack of training, traditional habits and mentality of the experienced engineers, complexity of the process and lack of management discipline. Athens

Ireland

Skill shortages at all levels within the construction industry including all grades of professional consultants, skilled and unskilled labour. All these factors are affecting productivity and viability. - Cork

Availability of trade resources to undertake works.- Cork

Planning delays and inflated construction costs. - Dublin

Major concern is possible trade war if Trump administration adds tariffs to materials. - Dublin

Shortage of professional staff and high cost base. - Dublin

Difficulty with affordability in relation to private sector housing/apartments. - Dublin

Main issue is skills shortages to keep up with demand - market overheated. - Limerick

Italy

Light contraction in the market, material costs. - Milan

lack of professionalism. - Milan

Netherlands

Nitrogen disposition regulation getting stricter. Lower availability of green fields. - Amsterdam

Licensing procedures too long. - Amsterdam

Portugal

Shortage of Cost Engineers / Quantity Surveyors. - Lisbon

Romania

War in Ukraine, regional instability, energy crisis. - Bucharest

Spain

Lack of finalist soil. - Madrid

Contractor "unformality" in getting foreign investors to sign up to unrealisable contracts and objectives, local authority painful personal interpretation of laws by certain individuals abusing their positions, selfish architects who confound clients and overcharge them and agree backhanders with suppliers. Corruption levels are rife- investors should proceed with extreme caution. - Marbella

Sweden

Planning constraints for high technology projects. - Malmö

Switzerland

There is always a balancing of competing interests, and this pendulum swings. We expect that cost sensitivities will increasingly take centre stage.- Zurich

United Kingdom

Lack of good youngsters coming in to the industry.- Bristol

Lack of Government strategy for future infrastructure.- Edinburgh

Regional tender price variation.- Glasgow

Planning depts/shortage of labour/poor quality professionals. - Leeds

Project programme planning, costing, timescales. - Manchester

Planning consent due to insufficient sewage capacity.- Newry

Shortage of skilled contractors for smaller complex projects.- Saffron Walden

North America: USA construction sentiment rebounds in Q4 while remaining modestly positive in Canada

Feedback from North America to the Q4 RICS Construction Monitor (conducted in conjunction with CIQS in Canada and AACE in the USA) remains generally positive. This is highlighted in the headline readings for the Construction Sentiment Index (CSI) which are captured in Chart 1.

Rising bond yields yet to impact the credit environment

Bond markets were notably weaker during the period in which the field work for this survey was conducted. Despite this, the results not only show that credit conditions have improved somewhat over the past three months but that they are expected to do so again at both the three and twelve-month time horizons. Interestingly, this trend is viewed as likely to be most pronounced in the USA, notwithstanding the behaviour of US Treasuries and the scaling back by in money market expectations regarding the pace of further monetary easing by the Federal Reserve.

Forward looking activity metrics turn more positive

Perhaps unsurprisingly given the perception regarding the likely direction of credit conditions, there is a sense amongst respondents from North American that order books are likely to strengthen through the course of this year. One example of this is the insight provided around the indicator measuring new business enquiries. For Canada, the net balance result came in +18% compared with +15% in Q3. More impressive was the feedback from the USA, where it jumped from +10% to +42%.

This more upbeat outlook is also evident in expectations regarding workloads which is highlighted in Chart 2. For Canada, solid readings are visible in all three sector categories although it is noteworthy that momentum is seen as most likely to accelerate in the area of private residential work. In the case of the USA, the mood music regarding workloads over the next twelve months appears to have improved in all three sectors and, most significantly, in the area of infrastructure. Drawing on the results for current infrastructure workloads, it would appear that the uplift in positivity is broad based but particularly marked in energy as well as ICT and transport.

Hiring remains key challenge for the industry

Chart 3 highlights the results to the question around the key obstacles to activity. Shortages of skilled labour followed by labour shortages more generally are the top two issues referenced in both countries once again. Skilled trades remain the area where recruitment is most problematic although difficulties in finding enough project managers and those with quantity surveying type skills are also noted by respondents. One area of divergence is in the proportion of contributors signalling insufficient demand as a hindrance; in Canada, this edged up from 39% to 46% while in the USA it fell from 41% to 26%.

Profits picture reflects broader dynamics

The net balance readings for both current profit margins and twelve month expectations is broadly aligned to other indicators contained in the survey. For Canada, the current reading remained unchanged at -9% while in the USA it improved from -13% to +4%. As regards the outlook, for the former the net balance was modestly positive again (+13% vs +15%) while for the latter it climbed from +22% to +35%.

Chart 1 - Construction Sentiment Index

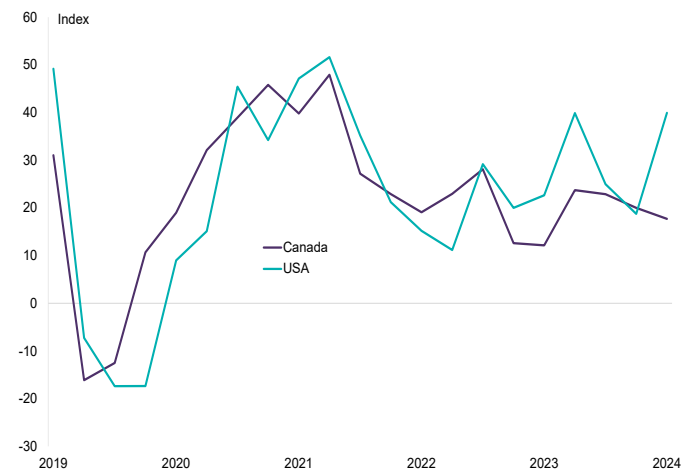


Chart 2 - 12 Months Workload Expectations

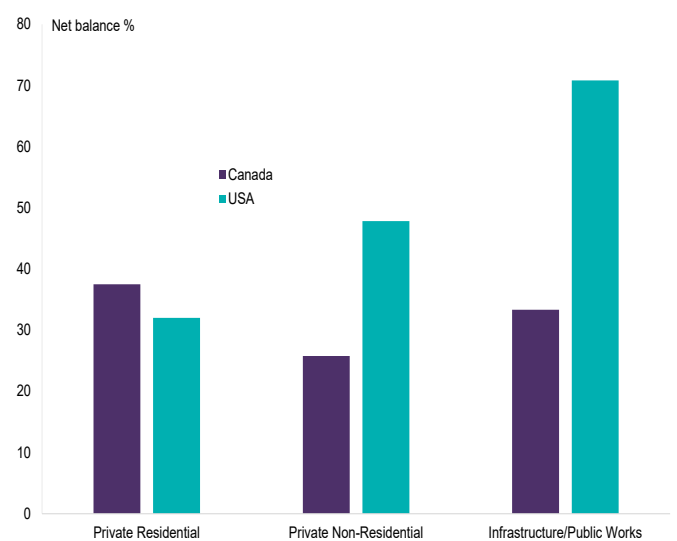
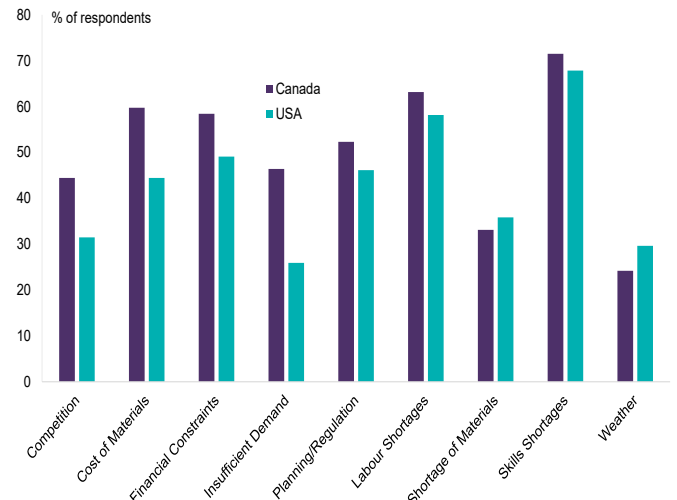


Chart 3 - Key Factors Holding Back Activity



Regional comments from survey participants in the Americas

Antigua

Increased cost of materials - St Johns

Barbados

The shortage of professionals, skilled and unskilled workers - Bridgetown

Brazil

Increasing costs - Rio de Janeiro

British Virgin Islands

Lack of international/ government body which control standard in the construction industry - Road Town

Canada

Restricted number of delay analysts - Calgary

The market in Alberta is heavily influenced by the Energy Section. Current political changes including US Presidency and potential federal election are creating uncertainty in the market. Inter-provincial immigration to Alberta from other provinces is generating high demand for housing where other provinces may be seeing a slow down in this market. Calgary recently saw a 15% increase in property values over 12 months - Calgary

There are consistently growing delays due to “red tape” demands from local and provincial legislation and review processes. In an environment of ever-increasing construction costs, these delays often significantly increase costs, which reduce margins for owners and developers - Chilliwack

There is hesitation in the face of proposed tariffs from the USA - Collingwood

Too much federal government interference - Edmonton

Expect the labour and skilled professional market to get stretched over next 12 mths due to workloads - Edmonton

Current construction market does not use digitalization on 99% of projects. Currently only found with early contractor engagement or on large mega projects - Edmonton

Interest rates - Gatineau

If the housing crisis is such a priority, we should focus on functional buildings and avoid award-seeking architectural design. Most housing projects are funded by taxpayers; designers and program managers should keep this in mind - Kelowna

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

The biggest challenge to digitalization is that all contractors need to be engaged. If not, then additional personnel are required to support them - Kingsville

Coordination between trades - Laval

Growth of residential housing - Lower Truro

Politics, interest rates and government spending - Oakville

Affordability of housing. Demand increasing for rental product and financing options are adjusting to cater to this - Oakville

Federal government demand - Ottawa

Labour shortages - Ottawa

Uncertainty over the domestic political future and a looming election, overshadowed by USA tariff threats are creating a ‘wait-and-see’ approach’ to development - Ottawa

Political uncertainty and tariffs - Ottawa

Weather - Saskatoon

There is an ongoing process where designers download risk to contractors, driving prices up and reducing profitability. Consultants aren’t being paid at the front end to produce quality bid documents, resulting in RFII, post-tender addendum and changes delaying the schedule and increasing costs - Scarborough

We continue to see lack of quality contract documents (specs and drawings) - Scarborough

Immigration rule changes - Scarborough

USA threat of 25% tariffs on Canadian goods and services - Spruce Grove

Variation/change order, project monitoring and cost control - Surrey

Government interference, taxes, lack of productivity - Surrey

Permitting & inspection delays from municipalities - Surrey

Tendered prices came in 14% below budgeted costs in GTA. Ontario, Canada - Toronto

Material costs and economic conditions - Toronto

Lack of contractors - Toronto

Availability of land - Toronto

Historic and inherited practice, minimal industry standardization - Toronto

More demand than supply - Vancouver

Supply and pricing of imported construction materials and equipment may be uncertain until potential trade instability is resolved. - Vancouver

Too many projects and too few qualified contractors means higher mark ups - Victoria

The development and building permit process remains a bottleneck - Victoria

Delays in municipal approvals - Victoria

Political uncertainty - Victoria

Short-term uncertainty as the economy appears less stable with Eagle Gold mine closing and recent unemployment spike - Whitehorse

Cayman Islands

Location, climate and hurricane season which is now over until June 1st 2025 - George Town

Rising construction costs are beginning to impact project viability, particularly for the medium and lower value development projects. As a result the focus of developers tends to be solely on high value products - George Town

Experienced professionals - George Town

Government inspection and planning process - George Town

Jamaica

Large number of Chinese companies operating locally and their purchasing of materials mainly from China - Kingston

Site security is of great concern. Contractors are forced to increase this cost, resulting in increased overall project cost - Kingston

Regional comments from survey participants in the Americas

Mexico

Proposed tariffs being introduced or forced on Chinese companies operating in Mexico by US government... Ditto per 2024 - Monterrey

Saint Lucia

There has been a shift in the training and certification of skilled worker programs. However, unskilled labor in the construction is a major concern, becoming scarce - Castries

Trinidad and Tobago

BIM and Digital Twins are currently discussions at Seminars and Board meeting. A good sign maybe - Port of Spain

In Trinidad and Tobago this is a year when national elections are due to select a new government. Normally this is preceded by infrastructure development in terms of road paving, drainage upgrades, water distribution and housing. It is anticipated that there will be heightened activities in the construction sector - St. Augustine

Inflation - Tunapuna

United States

Labour - Boston

Proposed tariffs on imported products into US may disrupt supply chain again - Chicago

Constant pressure to meet time demands and deadlines leads to a lack in quality; definite "good enough and we'll come back later if we have to" mindset - Dallas

Hi tec sector is the dominant market locally - Hillsboro

Lack of skilled labor is the highest factor. Materials are more expensive but available from a global supply chain (e.g., Pipe from Turkey, Steel from UAE) - Houston

Permitting and regulation - Houston

Tariff decisions by new administration has created uncertainty and will be a risk for supply chains, project delivery and likely materials costs for the imported and even local manufacturers - Houston

Prioritization - Kingsford

Preparations for 2028 Olympics - Los Angeles

Lack of skilled labour - Los Angeles

Solid demand - Miami

Collapsing tech industry to have impact on construction market - Murrieta

Speculation based on the presidential election results - New York

Skills - New York

The single largest factor affecting the projects we're currently bidding on is reduced release of project funding. As a result project are taking longer to move from inception to site start. A number of projects have also been re-bid as there is a reduced appetite for Value Engineering - certain projects are instead being delayed by 12 to 24 months - New York

Immigration - New York

The construction market in New York and the U.S. faces several challenges: Labor Shortages: About 40% of the workforce may retire soon, making it crucial to attract younger talent. Rising Costs: Material prices and labor costs are increasing project expenses. Supply Chain Issues: Disruptions still affect material availability. Interest Rates: Higher rates complicate project financing, risking delays. Demand Outlook: Strong demand in public and manufacturing sectors, while retail declines - New York

Cost overrun, labor shortages, poor planning, forecasting, and budgeting, scheduling and poor document management etc - Orlando

Labour shortages - San Francisco

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

It's the same problems of highly skilled trade shortages and the same with professional services. Major projects competing can exacerbate this situation and most major projects need to pay for travelling tradesmen - Scottsdale

Still plenty of work - Seattle

High-tech, semiconductor and data centers are the boom in US - Sunnyvale

Lack of skilled manpower and client's budget issue - Taylor

Global Construction Monitor

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

Methodology

Questionnaires were sent out on 4 December 2024 with responses received until 20 January 2025. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 2327 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.

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