

ECONOMICS



# Global Construction Monitor

Q2 2024

Responses were gathered in conjunction with the following organisations:



Canadian Institute of  
Quantity Surveyors

Institut canadien des  
économistes en construction



# Construction workloads continue to rise modestly, with Europe seeing a further gradual improvement

- Construction Activity Index remains modestly positive, with Europe seeing a pick-up in Q2 while trends remain solid in MEA and the Americas
- Growth in infrastructure workloads continues to outperform all other sectors
- Material costs, financial constraints and skills shortages remain significant impediments for the construction industry in most localities

The Q2 2024 RICS Global Construction Monitor results continue to point to a modest expansion in industry activity. Indeed, the headline Construction Activity Index posted a reading of +15 at the global level for the second consecutive quarter. This suggests momentum behind the sector remains largely steady overall.

## Europe sees further modest improvements while solid growth continues in MEA and the Americas

Depicted in Chart 1, the Americas and MEA continue to return the strongest readings for the headline CAI, posting figures of +27 and +24 respectively in Q2. That said, in both cases, the latest readings are a little softer than those seen in Q1, implying momentum likely moderated slightly. Moving in the other direction meanwhile, the CAI improved to +12 in Europe, up from a figure of +6 in the previous iteration of the survey. Although the latest return is only modestly in positive territory (and still comfortably below those in the aforementioned regions), this does mark the strongest reading recorded across Europe since early 2022. Now lagging in terms of the regional CAI breakdown, APAC delivered a reading of +7 (identical to last quarter),

signalling only a very marginally positive trend.

However, it should be highlighted that there remains a high degree of divergence across different countries within APAC. As shown in Chart 2, New Zealand and China returned particularly downbeat CAI readings in Q2, with the former seeing the worst headline result across the survey since its inception back in 2018. For China (both across the mainland and Hong Kong), the latest returns continue a run of negativity evident since the second half of 2023. At the other end of the scale, India and the Philippines stand out as displaying amongst the most positive CAI readings on a global comparison. In both nations, workloads are reportedly rising across all sectors, while expectations point to further strong growth going forward.

As has been the case for much of the past two years, Saudi Arabia continues to deliver the strongest CAI reading relative to all other national markets tracked. Even so, the Q2 figure of +64 (although still very robust) is the least elevated result since early 2023. Alongside this, the UAE also exhibits firmly positive feedback, as respondents continue to cite a solid expansion in all market sectors. That said, not all nations tracked across the region are seeing such upbeat conditions,

Chart 1 - Construction Activity Index by Region

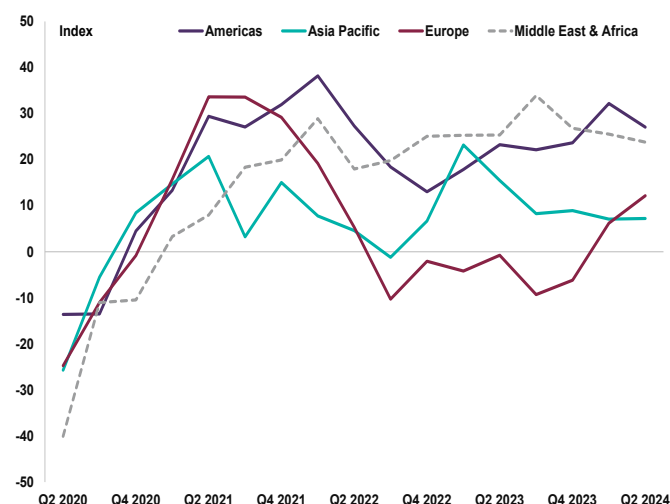
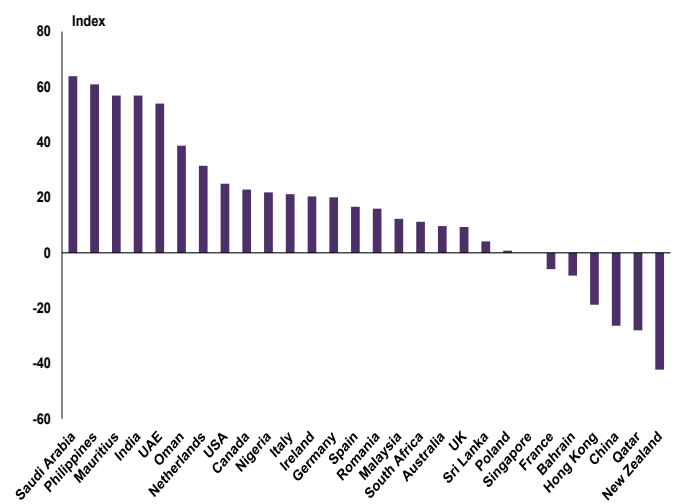


Chart 2 - Construction Activity Index by Country



with construction activity in Qatar continuing to struggle post hosting the World Cup.

For the United States, the Q2 CAI reading of +25 is notably softer than +40 registered in Q1, a consequence in large part of a slowdown in the rate of expansion across the private non-residential sector. Across Europe, the most noteworthy improvements came in Germany and the Netherlands in Q2, supported by a stronger picture coming through in the private residential sector.

**Infrastructure sector still displaying the strongest outlook in most areas**

Chart 3 shows twelve-month expectations for workloads at the sector level across each world region. For respondents based in the Americas, APAC and MEA, the infrastructure sector is anticipated to deliver the strongest growth over the year ahead (in net balance terms) relative to the other categories. At the same time, the picture is slightly different for Europe, with the private residential sector now displaying a marginally more upbeat reading than that for infrastructure (+27% vs +25%). This is on the back of infrastructure expectations being trimmed from a net balance of +38% in Q1, while the reading for private residential rose from +19%.

For the private non-residential/commercial sector, workload expectations generally sit below those for the other market segments across most nations covered. Nevertheless, the outlook for commercial development activity is still firmly positive in countries such as Saudi Arabia, the UAE, India, the Philippines, Mauritius and Nigeria. Conversely, respondents in China, Hong Kong, New Zealand and Singapore are rather pessimistic with regards to the prospects for private non-residential construction works over the year to come.

Looking at new business enquiries, which provides an early indication of overall demand across the industry, the global trend appears to have turned somewhat flat in Q2 (net balance +2% compared to +5% before). At the regional level, the net balance

Chart 3 - Twelve-month expectations by sector

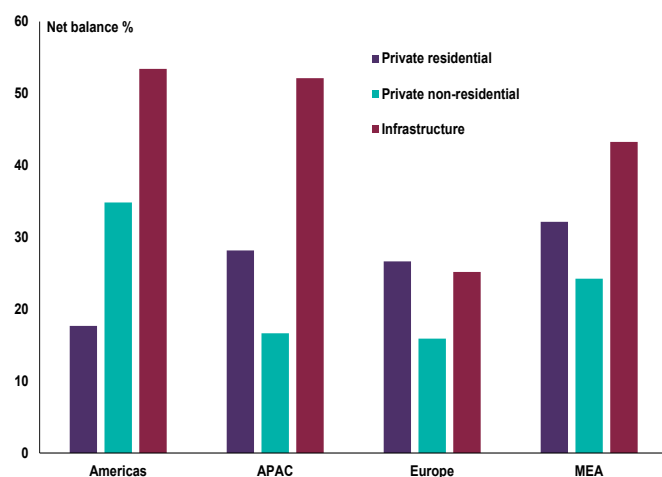
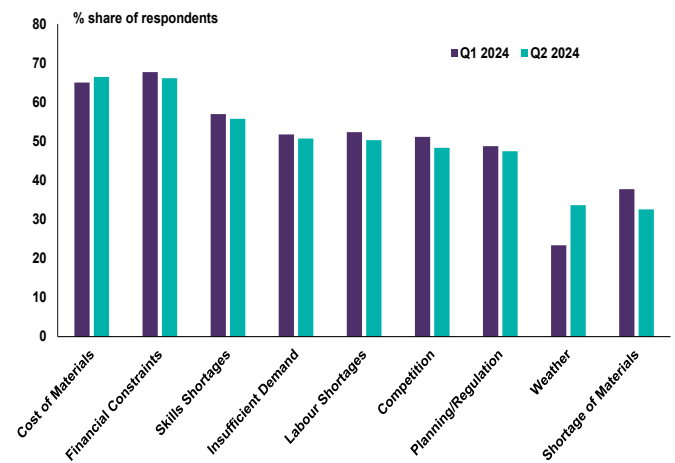


Chart 4 - Factors Limiting Construction Activity



of +6% in Europe points to a moderate increase in business enquiries and was in fact the first positive reading across the continent since early 2022. For the Americas and MEA, the Q2 readings for the business enquiries metric remain solid at +24% and +20% respectively. Again in keeping with the more challenging backdrop across APAC in aggregate, a net balance of -18% of respondents cited a decline in new business demand in Q2. Much of this weakness is stemming from China, with the Q2 net balance of -68% representing a further deterioration from the reading of -60% last time.

**Material costs and financial constraints remain significant impediments to market activity**

Approximately two-thirds of respondents globally reference material costs and financial constraints holding back construction activity at present (Chart 4). With respect to projections for material costs, the latest results show a marginal acceleration in the expected pace of inflation over the year to come (+4.8% vs +4.6% in Q1), suggesting there is unlikely to be any respite from this challenge over the near-term. For financial constraints, the picture will not have been helped by the reported tightening in the lending environment this quarter (evidenced by a net balance reading of -20% for the credit conditions indicator). That said, a gentle loosening in lending rates is anticipated over the coming twelve months, although this is unlikely to alleviate difficulties with financial constraints to a significant degree.

Meanwhile, skills and general labour shortages remain apparent, with over 50% of respondents highlighting difficulties in finding such workers. Within this, skills shortages are especially prevalent in the Americas and Europe, with respective shares of 69% and 55% of contributors reporting inadequate access to skilled professionals. Notwithstanding this, industry headcounts are expected to rise across the vast majority of nations covered by the Monitor over the next twelve months, with the Philippines, Saudi Arabia, India and the UAE all returning strong construction employment expectations (Chart 6 on the next page).

Chart 5 - Current construction workload trends and 12-month expectations

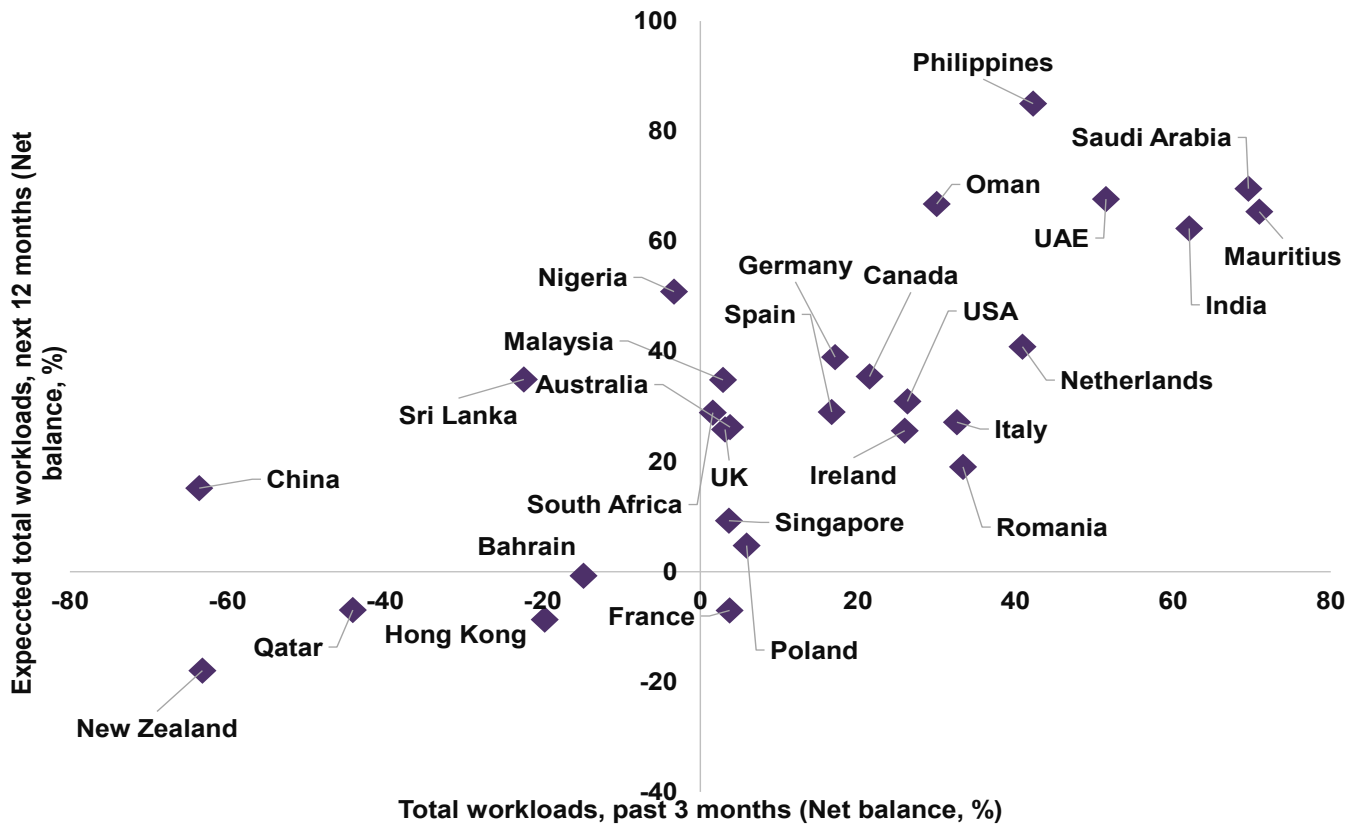
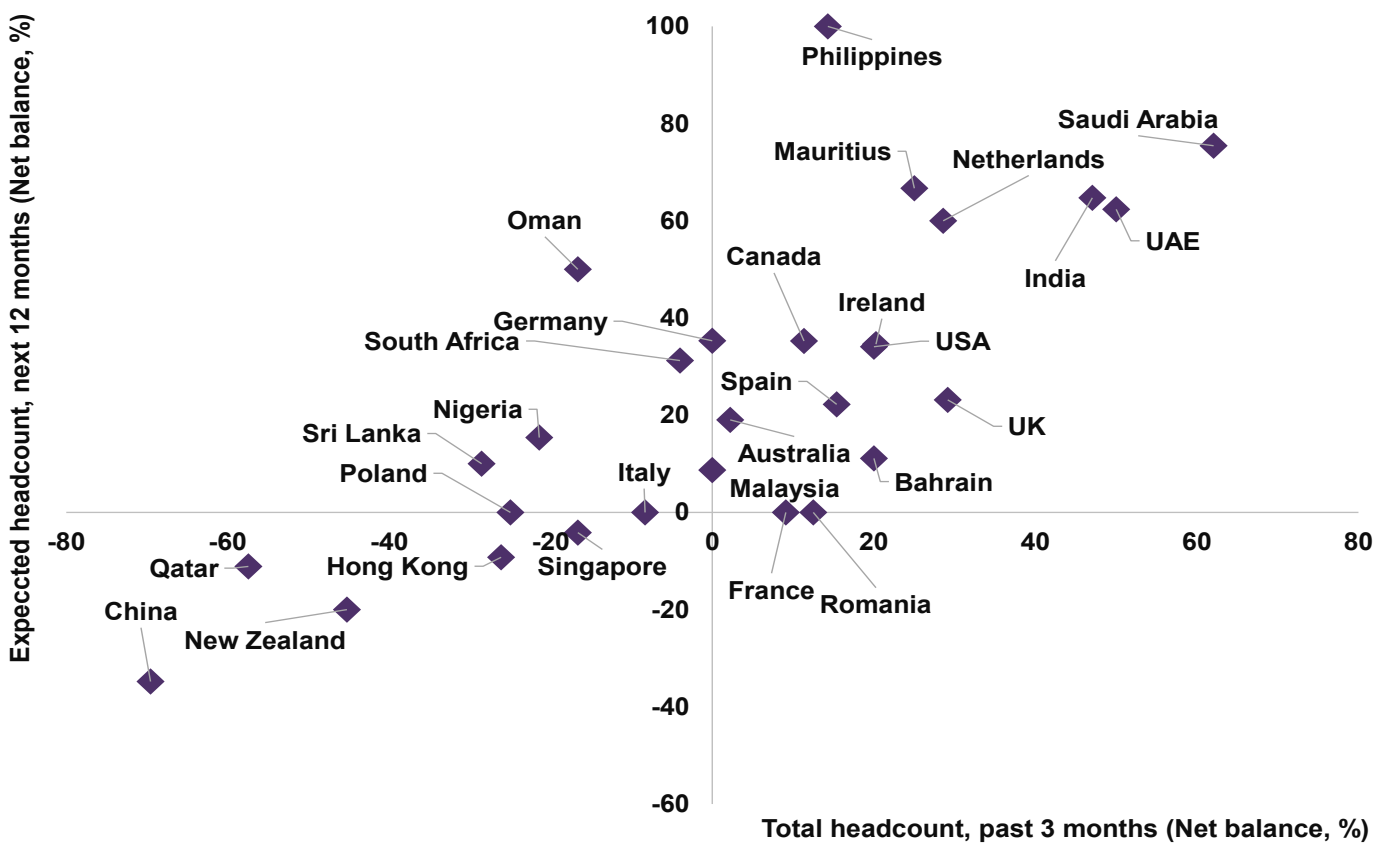


Chart 6 - Recent trends in industry headcount and twelve-month expectations



# APAC: Construction activity continues to rise across India while New Zealand joins China in seeing falling workloads

The Q2 results for the Construction Monitor across APAC remain similar to those returned in the previous quarter. With respect to the headline Construction Activity Index (CAI), a marginally positive reading of +7 was posted this quarter (identical to Q1). As noted previously, divergent feedback is visible at a country level (illustrated in Chart 1). Seeing minimal change from last quarter, India once again registered the highest reading at +57, followed by Malaysia (+12) and Australia (+10). Elsewhere, the responses in Sri Lanka suggest a waning in momentum, recording +4 compared to +10 beforehand. Feedback in Singapore also softened, with its headline index dropping from +14 to zero over the quarter. At the weaker end of the scale, China, Hong Kong and New Zealand continue to record negative results. Notably in New Zealand, the CAI fell from -13 previously to -42 in Q2.

## Mixed picture at the sector level across APAC

At the aggregate level, the latest readings for both the private residential and non-residential sectors point to a negative trend for workloads, recording net balances around -20%. Meanwhile, the infrastructure sector remains relatively firm, posting a net balance of +16%. On closer inspection, signals are mixed for workloads across different sectors at a country level (as shown in Chart 2). Leading the way, India continues to see balanced growth in current workloads and a lot of positivity regarding forward-looking sentiment across all categories. In Australia, Singapore and Hong Kong, infrastructure is the main driver of construction activity, with higher readings for both current and expected workload metrics compared to other sectors. At the same time, Sri Lanka, China, and New Zealand saw falling workloads across all sectors in Q2. While twelve-month expectations remain downbeat for New Zealand and China, respondents in Sri Lanka do expect a recovery to emerge. That said, the recent instability in the economy makes the outlook uncertain.

## Profit margins eroded across the region

While the picture for construction activity is mixed, almost all countries (except India) suffered decreased profitability in Q2. Currently, the overall net balance reading for the profit margin metric came in at -41% across APAC, significantly lower than the global average of -25%. Not surprisingly, responses in China, Hong Kong and New Zealand are more downbeat. Concurrently, the APAC region also saw reduced business enquiries in Q2, registering the sole negative figure among all world regions with a net balance of -18% (vs. +2% globally). At the country level, India outperformed the regional trend, posting a positive net balance of +67% for the new business enquiries indicator. Conversely, the latest readings are deeply negative at -68% and -60% in China and New Zealand.

## Material cost and financial constraints among the top challenges

Chart 3 tracks respondents' perception on factors holding back activity across the APAC region. Overall, the cost of materials remains the top challenge, cited by 74% of respondents in aggregate and ranking among the top hurdles in each market. Similarly, financial constraints are also among the key challenges in all markets except for India and Singapore, cited by 71% of the respondents in total across the region. The suggestion by respondents that credit conditions at a region level are only likely to ease very modestly over the next year points to little near term relief.

Chart 1 - Construction Activity Index

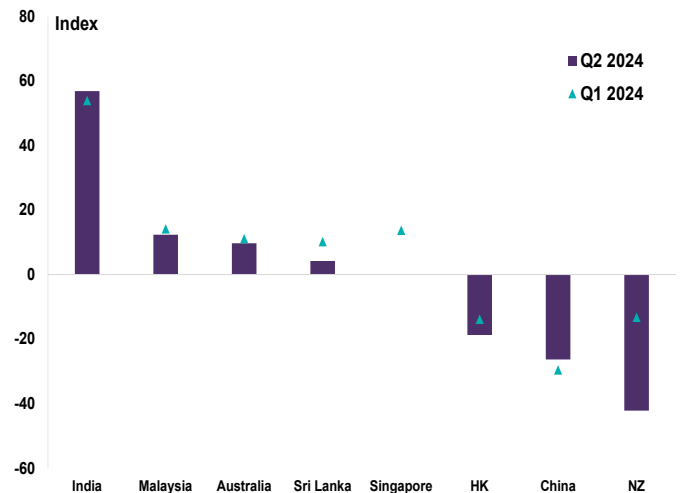


Chart 2 - Current and Expected Workloads by Sector

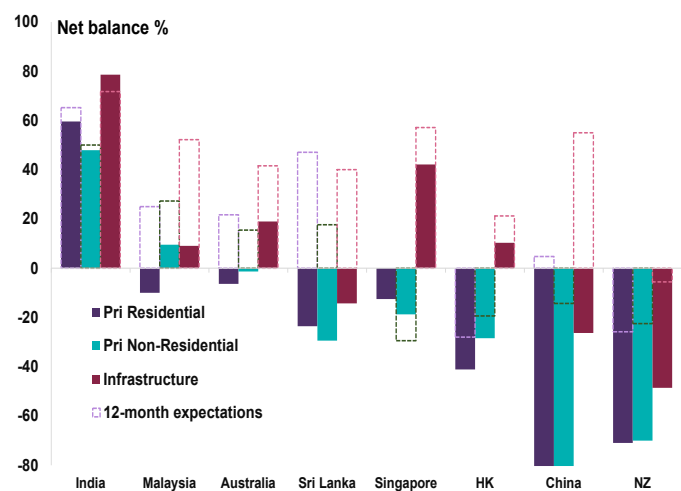
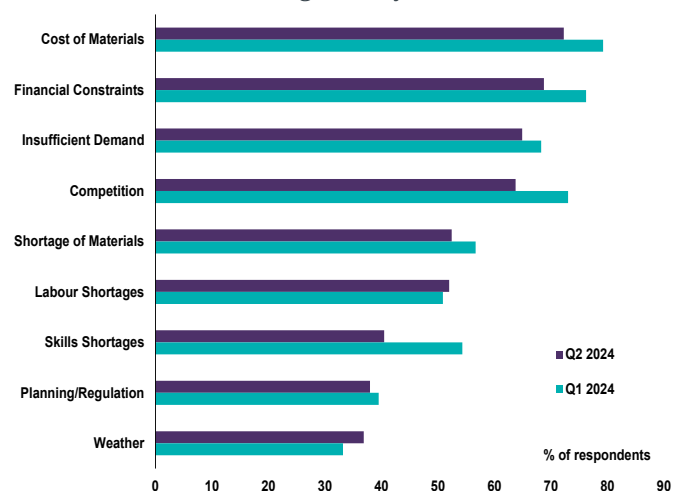


Chart 3 - Factors Limiting Activity



## Regional comments from survey participants in APAC

### Australia

CFMEU union and government collaboration. - Brisbane

Union Issues and the effects of BPIC on prices in QLD. - Brisbane

Trade union influence over Labor Governments both Federal and State resulting in excessively high wages, cost prohibitive conditions and very low productivity. - Brisbane

Efforts to reduce inflation and projects stalling due to prices making them non viable is generating the perfect storm in both residential and commercial sectors - anticipate a stall in the industry in the next 3 months. - Hobart

A lack of good tradespeople is the biggest issue affecting the area in which I operate. - Mareeba

Labour and staff shortage pushing up rates considerably. - Marmion

High wages and cost of doing business. High govt debt is impacting SMEs. - Melbourne

Commercial models offered to supply chain are complex and favoured against contractors. - Melbourne

Lack of planning and project controls. - Perth

Tight timeframes for dispute resolutions and increase in disputes. - Perth

High volume of Transport infrastructure works with a limited contractor pool. - Sydney

Skilled and unskilled labour shortages will continue until government make training more operatives a priority. - Sydney

Gap year / temporary visitors starting to return to pre-covid levels. If the site is 'unionised'. State government taking longer than planned to initiate projects. - Sydney

Preference of clients on contractor selector based on lowest tender rather than credibility of builder. - Sydney

Labour government and union interventions. - Sydney

Global supply chain disruption. - Sydney

Major delays in project funding from the Public Sector. - Sydney

The workers union plays more influence to the project. - Sydney

Difficulty in finding Quantity Surveyors in the Australian market. Tier 1 QS consultancies poaching staff from smaller QS practices. Reliance on foreign students and student visas for entry level staff. Shortage of assessors leading in long lead time for membership assessments. - Sydney

Main issue is the delay in public sector funding. - Sydney

Lack of available development sites & cost of land. - Sydney

Slower post-COVID decision making. - Sydney

Lack of common sense and total soft skill shortage among property professionals. - Sydney

Continued cost increases for material, labour and delivery components. - Sydney

Low value and high value adjudications increasing. - Sydney

Industrial relations / union involvement driving labour cost either directly or indirectly through conditions. - Williamstown

Increased cost of construction making development too risky for residential, commercial and industrial development. - Sydney

### Bangladesh

Unprofessionalism, unregulated firm. - Dhaka

### China

Macroeconomic situation. - Shenzhen

Lack of business. - Zhoushan

Home price is too high. - Dongguan

The cost of land acquisition for private residential projects is high, forcing developers to cut prices in order to achieve investment returns, making it difficult for contractors to ensure reasonable profits. The construction industry is declining, competition is fierce, and there is a serious problem of talent oversupply. Such phenomena are difficult to alleviate in the short term. - Beijing

Market demand will directly influence subsequent project development. - Beijing

Slow development. - Beijing

The government should accelerate the pace of urban renewal construction and guide real estate development. - Chengdu

### Hong Kong

The government should accelerate the pace of urban renewal construction and guide real estate development.

Weak demand and moderate rising costs prevail in local market.

Security of payment act.

Unreasonable pricing by the competitors.

The economic environment is not good, but costs are rising.

The whole financial and political problem.

Lack of social awareness of real professional or "claim to be" professional bodies.

Economic environment, political issue, population, immigrants, birth rate, country or city financial status.

Many pipelines of public housing projects from government.

Expensive labour cost.

Private market is not active today, it is estimated that both residential and non-residential private projects will no longer be the major share of the market.

Policy and planning.

AI technology adoption.

Import of labour from other regions.

Lack of professional staff.

Political issues and shortages of labour force.

Manpower and labour cost.

HK Government Budget constraints significantly affect project cash flows.

Interest rate is very important.

### India

Issues by local authorities and age-old regulations. - Bengaluru

Specific skill availability with reasonable salary numbers and non acceptance to gender diversity is the challenge with some specific clients. - Bengaluru

Delayed clients payment and management's hunger for profit increase. - Bengaluru

Lack of skilled resources, regulations and ESG implementation. - Bengaluru

Anti-incumbency of the existing government resulting in substandard quality of public works and failure of town/city planning, length procedures in governmental approvals, lack of concern of government and public to control inflation of real estate and construction materials, lack of skilled talents. - Chennai

Government rules and regulations have to be changed in order to increase the adoption of international rules and regulations like RICS Standards. - Chennai

Frequent changes in political allegiances has affected the allocation of the projects. - Chennai

Governmental Public Infrastructure Works are affected due to irresponsible and unprofessional people are heading; No ownership and accountability. - Chennai

Skilled trade shortage is major concern. - Gujarat

Labour and material shortages. - Haryana

Financial status of customers. - Kerala

Lack of planning. - Maharashtra

The high demand for growth of new construction and infrastructure in place is a blessing for new residential and commercial projects coming in market with new developers competing with existing developers. - Maharashtra

All major developments are happening near and around Tier I cities. To focus on Tier II cities, the stringent infrastructure plan needs to be in place and strictly implemented. - Maharashtra

## Regional comments from survey participants in APAC

We primarily deals with UK projects based in India. - Noida

Skilled manpower shortage. - Pune

Labour. - Thane

Increase in the tender prices. - Thoothukudi

Quality is the biggest area where people make money out of. - Vadodara

Demand versus supply for skilled labour. - Visakhapatnam

Management quality of project. - Karawang

### Japan

Devaluation of currency. - Tokyo

Regulation of overtime work limit. - Tokyo

Labor shortage, high barriers to foreign employment. - Tokyo

### Malaysia

Cost / price escalation. - Selangor

Fuel subsidy was removed, therefore raw material price increased. - Kuala Lumpur

Diesel price increased. - Kuala Lumpur

Geopolitical issue, climate and weather issue. - Kuala Lumpur

Too much competition resulting in undercutting. - Kuala Lumpur

Labour cost. - Melaka

Supply and demand for public housing. - Petaling Jaya

### New Zealand

Inflation. - Auckland

Low demand, high competition and high risks. - Auckland

Major changes in central & local government policy. Lack of funding. - Auckland

Government and interest rate levels. - Auckland

Interest rate and funding issues. - Auckland

High interest rates in mortgage. - Auckland

Change in Government and priorities have delayed and postponed infrastructure projects which has impacted in certainty in the construction market. - Auckland

Essentially the industry has returned to "normal" after the 2011 earthquakes, subsequent rebuilding and then Covid. But the industry mindset is struggling to adapt to reverting to the pre 2011 "normal" and suppliers who do not recognise this will be at risk. - Christchurch

Change in government has slowed down / stalled climate policy change. - Christchurch

Cuts by the new government impacting public sector and economy. - Christchurch

Inconsistency of LTA's requirements. - Christchurch

Change of government in Q3 2023 has halted many projects, the market is holding off on investment while waiting for government decisions. Increased interest costs and mortgage costs have negatively impacted housing developments and some long-standing developers have ceased trading. - Hamilton

Recession. - Hamilton

Competition and general lull in business driving prices down and making some tenders financially risky or impossible. New government changes, funding pulled in schools and the public sector. Private industry being tight. - Hamilton

Regressive Government. - New Zealand

Local authorities section just adopted long term plan so green lights on numerous infrastructure and building projects for the district. - Nelson

NZ technically in recession. - Queenstown

### Philippines

Traffic conditions and local government regulations. - Manila

Very competitive nowadays. - Baroy

Lack of competent contractors, high materials cost, and cost of labor. - Cabanatuan

Employers demanding higher degree of risks, responsibilities, guarantees and liabilities on contractors but not willing to shoulder extra costs. - Cabuyao

### Singapore

Steady.

Integrity is one of the most highly regarded values and there is zero tolerance for this.

Contracting issue especially concerning the public sector is more on one side. Luckily the government is looking into it and reviewing the contracting system in the public sector. Still awaiting the outcome.

Chinese companies are under bidding all others. European companies don't stand a chance.

High labour and material costs.

Lack of junior QS.

Not able to attract new talents into the construction industry.

Restrictions on foreign labour & some professionals.

### South Korea

Project financing. - Seoul

### Sri Lanka

Government stability is not available. - Colombo

Economy crisis and political instability. - Colombo

Shortage of foreign currency, Import restrictions, lack of Investors. - Colombo

Present financial and political status. -

Colombo

Economy of the country / political issues. - Colombo

Political instability. - Colombo

Monsoon season. Uncertainty due to impending presidential election. - Gampaha

Current management has not been so far become capable of giving solutions. - Giriulla

Unavailability of some materials, increase of cost of materials and labour. - Kurunegala

Low price transparency and oligopolistic material supply market. - Maharagama

At present construction industry in Sri Lanka is at a standstill due to the financial constraints faced by the government. Therefore, no major projects are implemented which results in staff layoffs in many companies. - Panadura

### Thailand

Shipping cost, Some important construction materials price ex metal and others, the big-middle real estate company/contractors, demand and supply in real estate market, Some government policy - Bangkok

# Europe: Further signs of recovery coming through, particularly across the private residential sector

The Q2 2024 GCM feedback for Europe points to a further, albeit modest, improvement in overall construction activity across the region in aggregate. Nevertheless, it should be emphasised that this pick-up is coming from a relatively low base, with momentum still appearing somewhat fragile for the time being given the rather challenging macroeconomic backdrop at present.

## Construction Activity Index moves higher for a third consecutive quarter

At the Europe-wide level, the CAI posted a reading of +12 in Q2, up from a figure of +6 in the previous iteration of the survey. As such, this marks the most positive reading since the start of 2022, although the current figure is still only indicative of a modest rate of expansion in headline construction activity.

Chart 1 shows the country breakdown of this measure over the past two quarters. In the latest results, the CAI rose significantly within the Netherlands, returning a reading of +31 compared to +6 last time. Alongside this, both Italy and Ireland continue to exhibit comfortably positive CAI figures (signalling an expansion in overall activity), with the Q2 readings more or less unchanged from those in Q1. Within Germany, the CAI increased to +20 from +12 beforehand, representing the most upbeat figure across the nation since Q1 2022. Elsewhere, Spain and the UK also posted CAI readings in positive territory, although only marginally so in the case of the latter. The only European market tracked to display a negative reading for the headline index in Q2 was France, at -6. Driving this, workloads fell across the private residential sector and remained stagnant for private commercial. That said, the infrastructure sector did display a more upbeat trend across France this time.

## Private residential sector outlook strengthens

The improved sentiment visible at the regional level, and across several national markets, was, in large part, led by the stronger growth within the private residential sector. Depicted in Chart 2, twelve-month workload expectations across the private housing category posted a net balance of +27% from a pan-European perspective, up from +19% in Q1. In fact, this marks the strongest reading for this forward looking measure since early 2022. In particular, respondents based in Germany and the Netherlands are now anticipating a solid uplift in private residential development activity over the year to come.

Meanwhile, twelve-month expectations were trimmed to a certain extent across the infrastructure sector, although the Q2 net balance of +25% is still comfortably positive. On the same basis, expectations were little changed regarding the prospects for private non-residential/commercial construction activity. Consequently, this measure points to a moderate expansion in commercial workloads over the year to come. That is the case across the region in aggregate and for most national markets, with only France expected to see a slight pull-back in the private commercial sector.

## Financial constraints and planning/regulation increasingly viewed as market impediments

As shown in Chart 3, financial constraints and planning/regulation come out as the most widely referenced factors thought to be holding back market activity. In both instances, the share of respondents highlighting these issues increased compared to Q1 to stand at 61% and 59% respectively. At the same time, over 50% of contributors also cited skills and general labour shortages to be negatively impacting the market, with an especially acute shortfall reported across skilled trades.

Chart 1 - Construction Activity Index by Country



Chart 2 - Twelve-month Expectations

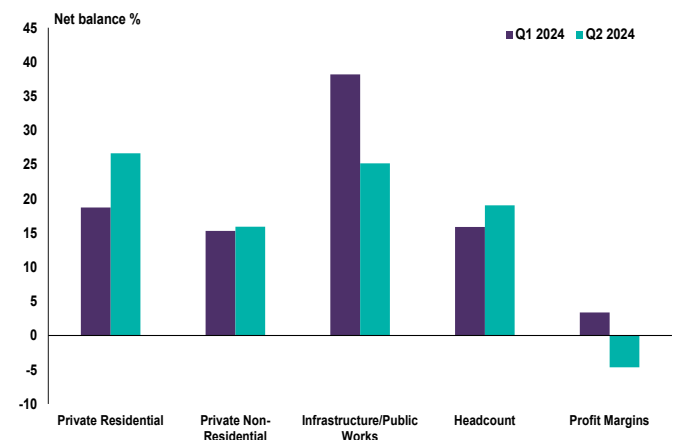
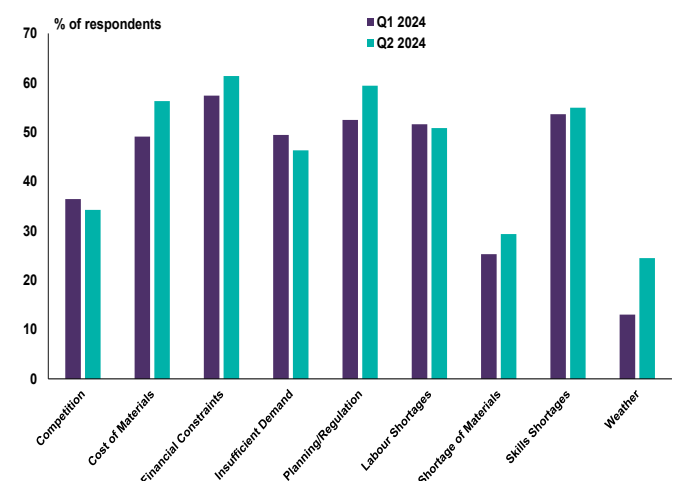


Chart 3 - Factors Limiting Activity





## Regional comments from survey participants in Europe

### Austria

Because of the ECB Interest Rates and the Austrian federal KIMVO there will be low interest in investments. Construction companies are forced to offer prices below the costs to actually have some liquidity to survive this era. - Vienna

Foresight has never been as difficult as it is now. The entire industry is facing/in the process of change, but not everyone has internalized it yet. - Vienna

### Bulgaria

Professional fees are being squeezed to a point that it is becoming almost unviable to operate. - Sofia

### Cyprus

Extremely low fees by competitors. - Nicosia

### Denmark

Design resources in the Biotechnology Sector. - Hillerød

### France

Olympic and Paralympic Games. - Paris

### Germany

High utilization / low number of employees. - Frankfurt

General market uncertainty due to a lack of creativity in generating solutions. - Hamburg

Very slow approval processes. - Munich

### Hungary

Cancellations of governmental investments, lack of foreign investors. - Budapest

### Ireland

Skills shortages and material costs. - Cork

Planning permissions. - Cork

Availability of trade resources to undertake works. - Cork

Housing shortage is driving / using up a disproportionate section of construction skills and resources leading to maintained high levels of costs. - Cork

1.Planning Delays & Objections 2. Lack of Power & Water Infrastructure. - Dublin

Lack of skilled labour is main issue. - Dublin

Cost of constructing apartments in excess of market cost. - Dublin

The increasing costs in materials & labour. - Dublin

I work for a Developer in the private residential market in Leinster Region in Republic of Ireland. The shortage of housing and accommodation in the Country means demand for housing is very strong and the residential housing market outlook looks strong for the immediate future. - Dublin

Unavailability of skilled labour, supply chain delays, delays in awarding contracts post tender stage mainly in the public sector with increased cost implications. - Limerick

### Italy

Lack of clear definition of "Urban Regeneration" city scale project by the European Commission. - Milan/Rome

### Netherlands

Unstable government. - Arnhem

Net congestion, lack of electricity. - Wassenaar

### Poland

No new projects. - Poznań

### Portugal

Specialist subcontractor capacity. - Lisbon

### Romania

Lack of labour. - Bucharest

Ukrainian and middle east conflicts. - Bucharest

### Spain

There is a law which protects 30% fo the housing at the urban level in Barcelona. - Barcelona

Land costs are very high. Spain is booming in all the sectors and the costs are increasing rapidly. - Madrid

### Sweden

Oversupply. - Stockholm

### United Kingdom

Contractor engagement in tendering has dropped. We are finding contractors want to negotiate or two-stage and not single stage tender. - Birmingham

Battery Energy Storage projects. - Glasgow

Too much red tape when working for local authorities. - Grimsby

Planning and property legal regulation has stopped two projects which should have commenced two months ago - Haverfordwest

Listed buildings and historic buildings do not suit retrofitting or these are prevented by planning. - London

Proper training for both trades and management needed. - Norwich

Planning delays. St Albans

High construction costs and planning delays. - Wickford

# Middle East and Africa: Construction sector activity remains robust with forward looking sentiment still positive

The Q2 2024 GCM results across the Middle East and Africa are largely in line with those seen in recent quarters. Feedback around the current performance of the construction sector remains strong, with future expectations indicating that all sectors (at the headline level) are projected to deliver growth in output over the coming twelve months. Despite this, financial constraints, as well as inflationary pressures, continue to hinder activity.

## Construction Activity Index remains upbeat despite a slight easing in recent quarters

The headline Construction Activity Index (CAI) for the MEA region was recorded at +24 for Q2. Despite this figure being marginally below +26 in Q1, it remains firmly in expansionary territory and marks the 14th consecutive positive quarterly reading. Disaggregating this result by country (Chart 1) shows that Saudi Arabia remains the strongest performing nation in the region (and across the world), with a CAI reading of +64, albeit this is somewhat down from last quarter's +72. Mauritius and the UAE also continue to see robust growth in construction activity, with both nations exhibiting an increase in their CAI readings this quarter to +57 and +54 respectively. Elsewhere, Oman, Nigeria and South Africa all display relatively upbeat CAI readings, with South Africa exhibiting a noteworthy increase from -2 last quarter to +11 in Q2. Conversely, Bahrain and Qatar both recorded negative CAI figures, posting respective readings of -8 and -28. Moreover, Qatar's reading marks a further deterioration on the figure of -17 registered last quarter, extending the rather prolonged period of contraction across the nation's construction market reported since the Football World Cup.

Back at the regional level, respondents cited an expansion in new business enquiries during Q2, with the net balance rising to +20% from +15% in Q1. When breaking this down by nation, strength in business enquiries is evident across Saudi Arabia (+69%) and the UAE (+54%), while a solid trend was also reported in South Africa this quarter (+16%).

## Twelve-month expectations remain strong across all sectors

Chart 2 graphs the current (and expectations) workload indicators across the private residential, private non-residential and infrastructure sectors. All categories show positive readings in Q2. In particular, current infrastructure activity stands out as being the strongest performer (+38% net balance) as has been the case since the inception of the Monitor. The twelve-month expectations metrics are even more positive in comparison to the current trend, with the most pronounced acceleration in growth anticipated across the private residential sector. Indeed, this sector posted a reading of +32% for the expectations series compared to the current workloads reading of +12%. Interestingly, whilst the profit margins metric is currently in the negative zone (-4% net balance), twelve-month expectations for profits are substantially more upbeat, returning a net balance of +22%.

Chart 3 displays the feedback around what challenges are currently being experienced across the market. Within this, the latest results again show that financial constraints are the most widely cited impediment to activity, with 80% of respondents citing such difficulties. The cost of materials follows closely behind, as 77% of survey participants report experiencing issues related to material prices in Q2.

Chart 1 - Construction Activity Indices by Country

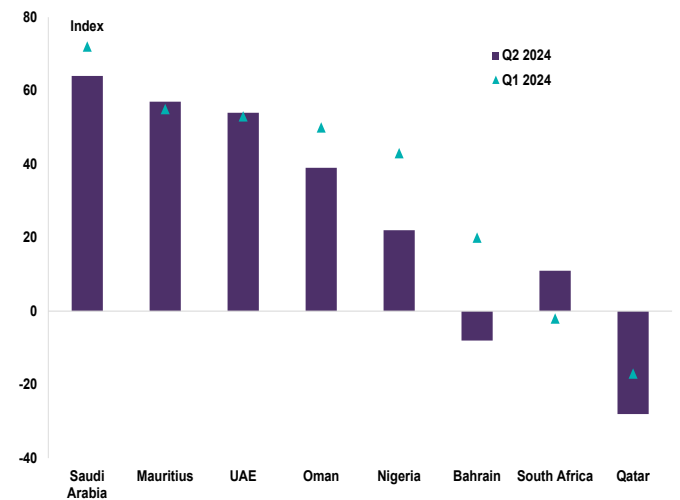


Chart 2 - Current conditions/twelve-month expectations

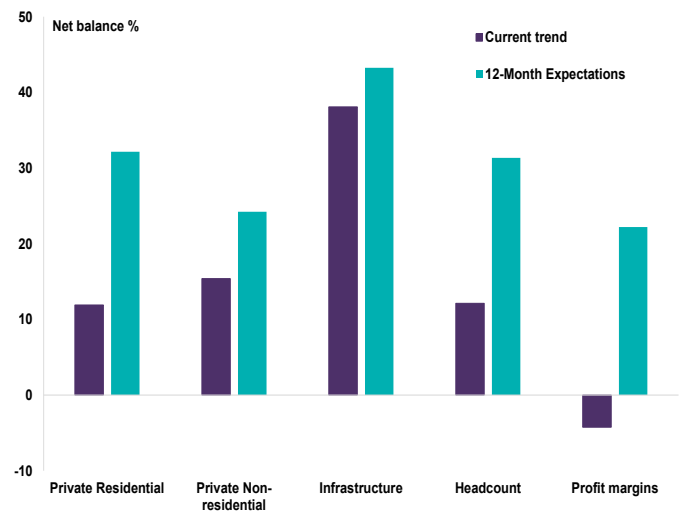
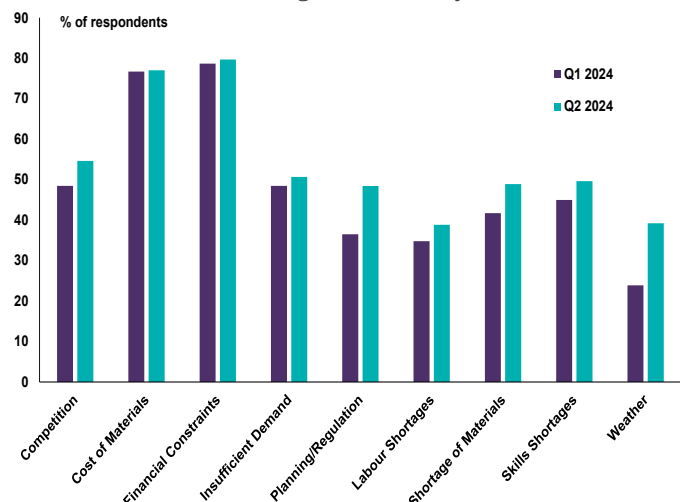


Chart 3 - Factors Holding Back Activity



## Regional comments from survey participants in MEA

### Bahrain

Payment issues. - Manama

Supply more than demand plus economic recession. - Manama

Profit margins. - Ummul Hassam

### Botswana

Politicians restructuring industry into blacklisted and cronies in order to control who benefits from public expenditure. - Gaborone

Procurement of QS services as domestic subconsultants to Architects and disregard to fee scale payments as opposed to awarding to the lowest bidder. - Gaborone

### Egypt

Inflation. - Cairo

### Ghana

Due to the political activities to be started in the country with no significant change to the economic situation in the country, the construction industry is experiencing difficulties in its works execution. - Accra

High inflation rates has deteriorated the market ifor the past 5 years. - Accra

Bad road network leading to increases in the cost of materials since most materials have to be transported. Additionally, the high fuel cost is also impacting on the cost of heavy equipment dependent works. - Jasikan

High import duties and taxes have increased cost of material and at this rate i believe the year will end either the same or worse. Over the past year, cost of materials have increased over 300% which is killing the industry and ruining the capital of investors. - Kumasi

### Jordan

Basically, local culture and market. - Aqaba

### Kuwait

Climate. - Kuwait

Lack of knowledge of good industry practices, lack of quality control, adherence to standards for obligations only and not understanding its importance. - Kuwait

Climate only. - Mahboula

### Liberia

Lack of Government initiatives and vision for development. - Yekeppa

### Malawi

The construction sector in Malawi continues to be plagued and plundered by the compound effects of the recent devaluations which occurred in April 2022 and November 2023. Therefore in the midst of the continuous inflation of material costs and other resources and with the recent reports from the key economic forecasts of Malawi indicating the continued rise of inflation which has been rampant since 2021. In 2021, inflation rate for Malawi was 9.3 % and has risen annually. Tough times ahead! - Lilongwe

### Mauritius

Over Design team 's Expection on project with lower budget. The market lack skills and expert in the field. - Black River

The time taken for authorities to approve plans can cause major delays in construction. - Ebene

Competition, increase in freight costs of finished goods and raw materials, increase in the labour cost, lack of skilled workforce. - Moka

Economic environment and freight cost. - Quatre Borne

Changing government policies. - Rose Belle

### Morocco

Delays in payments. - Temara

### Mozambique

The Al-Shaab islamic insurgency in Cabo Delgado province. - Matola-rio

### Namibia

The high increase in cost of construction materials. - Rundu

### Nigeria

High cost of building materials. high macroeconomic indices due to removal of subsidy on energy and power cost, lack of adequate technology to address measurement of embodied carbon and measurement standard with no commitments on the part of government via legislation. No indigenous technology to develop local raw materials for building materials, so the country is import dependent for every construction materials ,thus, resulting in high cost of construction. - Abuja

The lack of Forex and poor project planning mainly in the public sector. - Abuja

Improper continous training and retraining. - Lagos

Inflation arising from the devaluation of the currency. - Lagos

Oil & Gas Crisis. - Lagos

Political influence on contract awarding. - Lagos

Constant changes in the cost of materials and labour cost. - Lagos Island

Devaluation of the Naira. - Lagos Island

Galloping rate of inflation, inconsistent government policies and lack of policy continuation. - Osogbo

The unpredictable nature of the local currency. - Victoria Island

### Oman

High competition affects the budget and quality of work. - Muscat

High material price and quality of products. - Muscat

Inexperienced clients. - Muscat

Lack of experience of decision-makers in Govt giving rise to delayed decisions and decisions that are wholly inappropriate. Govt is also not leading by example in good industry practice especially related to timely payments. - Muscat

The construction market in Oman has, for many years, been at a much slower place than neighbouring countries. This is reflected in professional salaries in Oman, which are lower than places such as Saudi Arabia and UAE. There is a notable uptick in government spending on key projects across infrastructure, education and tourism development. However, the country is trailing behind in terms of local manufacturing and, thus, many of the materials required have to be imported. - Muscat

The non existence of locally available construction materials is a major reason for delay on Construction projects in my region. - Muscat

High material price. - Ruwi

Cash flow issues with contractor, lack of staff to execute the works professionally, lack of value for time. - Sur

### Saudi Arabia

The huge amount of workload in the Kingdom is affecting everyone's ability to deliver and is driving up cost. - Ad Diriyah

Crazy deadlines by clients, contractors incompetence, Design changes, etc. - Al Madinah Al Munawwarah

Low salaries, mismanagement. - Jeddah

A lack of capacity of suppliers. - Jeddah

Delays in decision making. Drawn-out Financing Agreements from Banks. Slow actions by local authorities. - Jeddah

Saudi Arabian and company specific procurement rules. - Neom

Demand due to the high volume of projects outstrips supply. - Riyadh

Contractors capability to deliver the project on time. - Riyadh

Government and religious restrictions. - Riyadh

Government restrictions. - Riyadh

Health and safety practices by some of the contractors, the industry still has a long way to go to enforce change. - Riyadh

Market capacity. Competent large contractors can charge what they want due to demand for construction. - Riyadh

Plant and resources. - Riyadh

Professionalism and in house training, free regional seminars/CPD on various competences of Construction. - Riyadh

Project is unique as it is single, mega size in remote area. - Riyadh

Unskilled labour - Riyadh

Uses of AI to the construction industry. - Riyadh

## Regional comments from survey participants in MEA

Slow uptake by international investors in providing finance for 50% investment in mega projects. - Tabuk

Government policies and vision. - Umluj

Non-competent supply chain, Delay in design. - Umluj

Material and Labor. - Yanbu

### Seychelles

Social and political - Victoria

### South Africa

High Interest rates. - Bloemfontein

High interest rates and energy costs as well as crazy rates and taxes are not helping at all! - Bloemfontein

The "Construction Mafias" poses a great treat in South Africa. The Mafias forces the contractors to allocate 30% of the project cost to locals without taking into account the complexity of the projects. Some projects are highly complex and sophisticated in nature which makes 30% local participation to be impossible due to lack of skills by the locals or within the communities. - Bloemfontein

Electrical outages and weak exchange rate. - Cape Town

Weather at this time of year. - Cape Town

Construction Mafia. - Centurion

It is difficult to break into the private sector as developers tend to work with organizations that they have always worked with before making it difficult for new entrants. In public sector even if you get the work, payments are always late. - Durban

The construction mafia activities as well as the influx of state owned Chinese contractors into Africa. - Guateng

Current interest rates, governmental election, after effect of COVID. - Irene

Client and Development Managers often out of touch of current market conditions and expect extreme discounting of professional fees and low construction cost allowances to make their returns more favorable in the short term resulting in long term issues. - Johannesburg

Construction mafia - these are informal groups hijacking construction sites and demanding participation on contracts. - Johannesburg

Construction mafia who attempt to extort monies. - Johannesburg

Current changes in political leadership, high interest rates, increased cost of living, lack of public sector spending. - Johannesburg

Further to Covid 19, many contractor and skilled workman are no longer in the industry. - Johannesburg

In South Africa, the extortion and crime in public sector which is now filtering to private projects, has made operating in the construction industry impossible. The lack of policing and government intervention in major contributing factor in my value. - Johannesburg

Low economic growth due to bad national and local governance. - Johannesburg

Not enough skills around BIM. - Johannesburg

Politics. - Johannesburg

Uncertainty as to what the Government of National Unity will look like following the elections at the end of May. Appears people are still fence sitting waiting to see if change is coming. The fact that only 16 million people voted out of an eligible population of 42 million gives some ideas to the level of apathy people have reached in terms of governmental options. - Johannesburg

Attempted hacking of client information systems and resultant delays. - Pretoria

Delays in decision making regarding public works projects by government. - Pretoria

Elections had a big impact on the construction industry - but it is over now and improvement should be noticeable. - Pretoria

Slow pace at which tenders are awarded. - Pretoria

Economic constraints. - Welkom

### Uganda

Fluctuations in costs. - Kampala

Public sector corruption. - Kampala

The high levels of inflation are greatly affecting the prices of acquisition of labour and technology. Corruption is also a big issue more so during tender processes more so for government projects. - Kampala

### United Arab Emirates

Client delay in awarding tender and commencement at site, delay in completion of pre-contract stages, change of client decision during every design stages. - Abu Dhabi

Cost. - Abu Dhabi

Delay in client decision on project related matters, delay in awarding contract. - Abu Dhabi

Economics and world politics. - Abu Dhabi

Factors like Oil Prices, inflation, geopolitical conditions affect cost. - Abu Dhabi

Late payment. - Abu Dhabi

Outflow of experienced resource into KSA. - Abu Dhabi

The boom in Saudi is continuing to draw resources away from UAE. - Abu Dhabi

UAE, especially Abu Dhabi and Dubai, as a market, it has a highly developed mature construction industry. Therefore, when it comes to quality, there cannot be any compromise. - Abu Dhabi

Waste or favoritism. - Abu Dhabi

Lack of skilled labour. - Business Bay

All professionals should follow high standard of Code of Conduct/Ethical standards. - Dubai

Cashflow! - Dubai

Climate. - Dubai

Demand is quite surprising. - Dubai

Due to peak summer and working being reduced during mid noon hours, there is slow down in construction projects. - Dubai

Geopolitical conflicts in the Ukraine and Palestine driving growth in the private residential sector. - Dubai

High Competition / China Players. - Dubai

High litigation and dispute culture is setting in. - Dubai

Lack of professionalism and reluctant nature to the commitments, negative cashflows. - Dubai

Our organization operates within a culturally conservative and traditional Islamic framework, and therefore, corruption is not considered to be a risk. - Dubai

Skilled engineer shortages are affecting the quality of the Construction. - Dubai

Skill shortage. - Dubai

Sustainability approach should be made mandatory on all construction projects. Local authority should involve in resolving delayed payments at all levels. - Dubai

We are facing Authority regulation and skilled labour shortages. - Dubai

### Zambia

Following government's conclusion of debt restructuring with EURO bondholders, it is anticipated that the country's economic performance will improve significantly thereby demand for construction work should improve. - Lusaka

Lack of planning approval and inspections by relevant authorities to ensure that developments and building developments being undertaken in accordance with laid down legislation. - Lusaka

### Zimbabwe

Opaque tendering processes. 2023 drought likely to affect the construction industry across all sectors. - Harare

Politics, Corruption and lack of funding. - Harare

Unavailability of materials and skilled workers. Delays in approval of building plans by local authorities and delays in payments by clients. - Harare

# North America: Labour and skills remain key challenges for the construction industry

The overall tone to Q2 RICS Construction Monitor feedback in North America remains generally positive (conducted in conjunction with AACE in the USA and CIQS in Canada). Chart 1 tracks the headline Construction Activity Index (CAI) for both countries. To put this in context, the readings of +23 in Canada and +25 in the USA contrasts with a headline global figure of +15.

## Infrastructure continues to lead the way

Predictably when it comes to current workload trends, infrastructure remains the sector where the picture appears the brightest. In the case of the USA, a net balance of +46% respondents reported an increase in activity which, while slightly down on the Q1 result, is broadly in-line with where it has been over the past three years. The comparable figure for Canada is +35%. Meanwhile, in both countries, the results for the residential and non-residential sectors also remain, to a greater or lesser extent, in positive territory. For the former, it is worth noting the diverging pattern between housing starts, which have softened in both economies, and the current workloads metric from the survey, which is effectively designed to also capture ongoing activity.

## Forward looking indicators generally still positive

The business enquiries metric in both the USA and Canada suggests that interest in new projects across the construction industry is continuing to grow (posting net balances of +17% and +20% respectively). The prospect of an easing in credit conditions over the next year is likely to be a supportive influence, with respondents sensing there is more scope for this in Canada, which likely reflects the more advanced stance of the Bank of Canada (as against the Federal Reserve) in lowering interest rates.

Chart 2 breaks down workload expectations for the next twelve months by sector. It is perhaps not unexpected that infrastructure continues to be viewed as the area likely to see the strongest gains given policy initiatives in both countries. Interestingly, contributors are expressing greater caution about the outlook for residential development in the USA (suspecting the picture will be largely flat). Although the Construction Monitor doesn't disaggregate the non-residential component, the RICS Global Commercial Property Monitor does probe the trend in development starts (in net balance terms) at a sector level. In both countries, the office indicator remains particularly soft.

## Skill shortages remain the key challenge

Significantly, delivering on the workload targets envisaged by respondents is seen as requiring increasing headcounts (also highlighted in Chart 2). The nature of the challenge is clearly demonstrated in Chart 3 which tracks the main obstacles to activity in the USA and Canada, with skill shortages identified by 70% of contributors in the former and 66% in the latter. Delving a little deeper into the latest results, it is the area of skilled trades where the pressure is most acute. However it is noteworthy that around half of those submitting feedback also cited problems in recruiting quantity surveyors, with a smaller proportion drawing attention to issues sourcing project managers. Aside from labour related matters, the main concerns of the industry appear to revolve around the cost of materials, even if the upward pressure has eased, and financial constraints, which is also captured in the negative results for the current profit margins series.

Chart 1 - Construction Activity Index

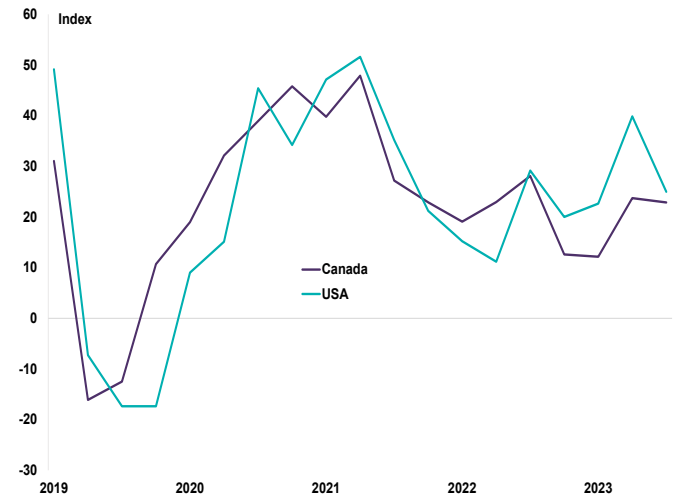


Chart 2 - Twelve-Month Expectations

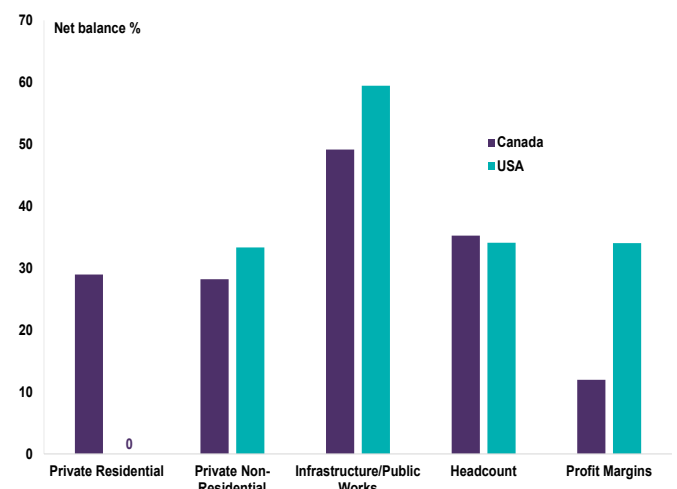
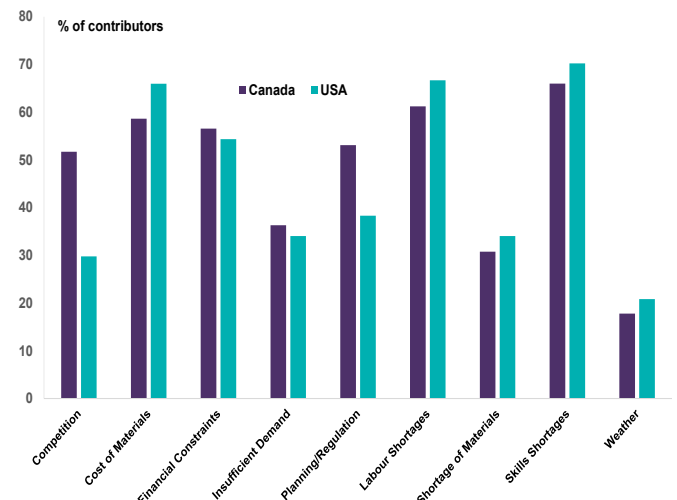


Chart 3 - Key Obstacles to Activity



# Regional comments from survey participants in the Americas

## Bahamas

The cost of materials, skilled workers - Nassau

Monopolies within the contracting and material suppliers - Nassau

## Barbados

This region is very insular. To get on any major tender list requires a recommendation from someone with connections / influence. Even then, it is not always a 'level' playing field. Then the issue of a region wide lack of all the resources required to grow the region, population, small government administrations and the leave over from post colonial mentality of patronage impact on our general growth. Everyone wants to be the king! - Bridgetown

Corruption and lack of transparent standards for procurement - Hastings

## Brazil

Anxiety - Curitiba

High interest - Sao Paulo

## British Virgin Islands

Lack of qualified individuals within the territory due to poor education, lack of qualified individuals overseas wishing to emigrate for work.

## Canada

Inflation, high mortgage/loan interest. These have almost pushed loan repayment out of the reach of potential residential construction end users and therefore had and still having a great impact on residential construction - Brandon

High borrowing costs leading to challenging pro-forma calculations for developers. Most work is being deferred to Q1/Q2 2025 in hopes that interest rates continue to decline - Calgary

The government projected spending on infrastructure over the next 10 years is totally unreasonable, unsustainable and unrealistic. There is not the manpower or resources to deliver the projected spending - Calgary

Material and labor costs- Calgary

There is no skills shortage. There is a willingness to pay a living wage shortage and it is affecting the entire industry negatively - Calgary

Lack of all skills, trade and management - Cochrane

Internal and external migration is putting lots of pressure into housing market, this has reduced competition during the tender phase - Edmonton

We see increased demand for budget, we believe interest rates will have to improve before getting projects to start. The demand for biodiversity or more sustainable material is still low - Kelowna

Les délais; permis de construction, permis du ministère de l'environnement, raccordement Hydro-Québec, PIIA, CCU (Delays; construction permits from the Ministry of the Environment, Hydro-Québec connection, PIIA, CCU) - Laval

Competing major projects in Canada drawing skilled labour from the same labour pool - Mississauga

While we may not have a process, we discuss the situation with the heads of the company - Oakville

High development costs - Ottawa

Inflation - Ottawa

Weather and labour shortages - Regina

Level of construction knowledge is declining in Government - Spruce Grove

Building permit delays. Consultant/owners delays in approving changes - Surrey

Over regulation from all levels of government - Surrey

For residential market there are lots of demand but prices are still very high and sales down or no sales at all, builders need to reduce the selling price to keep market moving - Toronto

Escalation is likely the largest factor why projects don't get built. Another issue, is office buildings are cancelling their M&E plant upgrades, as they don't have enough tenants to justify the costs Toronto

Limited number of Contractors qualified to perform work as per Design Requirements - Toronto

Economic uncertainty - Toronto

The market remains busy and volatile - Vancouver

High labour and material costs and few skilled General Contractors and Trades - Vancouver

Changes in government may impact current public sector spending - Victoria

## Cayman Islands

High interest rates, Government approvals - George Town

Planning and Building Control delays - George Town

## Trinidad and Tobago

Very severe Government restrictions on purchase of foreign currency especially on small businesses - Port of Spain

Government's inability to recognize alternative procurement methods other than Design-Build - Port of Spain

## United States

Long lead times and problems obtaining quotations from vendors. Some equipment vendors are now charging \$500 to provide a quotation for their equipment - Boston

Shortage of skilled labor - Chicago

Costs of materials and labour availability - Davonport

Lack of clarity on legislation regulation and credits from governments - Houston

Improper procurement process for services, Continuous Engineering/Design changes during construction - Houston

Lack of skilled Construction Schedulers - Las Vegas

Poor government administration - New York

Labour - New York

Lack of a competitive bidding environment - Los Angeles

Government spending - Redmond

Skills - San Francisco

Bank interest rate is high - Tampa

Cultural and emotional differences between different nationalities - Taylor

Government spending driving Inflation, particularly the core inflation of goods lowering confidence in the economy - Virginia Beach

## 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](http://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 12 June 2024 with responses received until 21 July 2024. 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 2576 company responses were received globally.

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

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

## Disclaimer

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