RICS®

Q3 2020: Global Construction Monitor

Some markets showing signs of recovery as overall pace of deterioration slows

- **Aggregate activity still subdued, although a recovery appears to be emerging in China**
- **Conditions remain highly disparate within regions**
- **Infrastructure led recovery expected, but headcounts not anticipated to pick-up in 2021**

Despite economies continuing to deal with the impact of the COVID-19 pandemic, there are signs of stabilization in global construction markets, according to respondents to the RICS Global Construction Monitor for Q3 of 2020. This appears to be linked to the uneven impact the pandemic has had across different sectors of the economy. Another factor likely supporting activity is governments' use of fiscal stimulus to boost their economies, with infrastructure in particular a key beneficiary. Even though there appear to be signs of a recovery in activity on the horizon, with a few exceptions, the outlook for employment in the sector has remained downbeat.

Activity stabilizes outside of USA

Chart 1 shows how the Global Construction Activity Index* (CAI), an amalgamated measure of current and expected construction market conditions has changed from Q2 to Q3. During the second quarter the index was markedly negative in every region, with the exception of the Americas, owing to the uneven nature of lockdowns in the United States during mid-2020. The readings from the third quarter show a general improvement, again with the exception of the Americas where the CAI saw very little change from -14 in Q2 to -13 in Q3.

Some caution needs to be taken in the interpretation of these figures. The readings in the Americas, Europe and the Middle East and Africa all still indicate a modest deterioration in market conditions: both a lack of currrent activity as well as a subdued outlook. The reading for the Asia Pacific region suggests more of a stabilization, though, outside of China, conditions remain negative in much of the region.

Furthermore, there remains a high degree of desparity in market conditions across different countries within a region. In some cases, such as in Australia, this extends to sub-national regions. Chart 4 illustrates the dispersion in activity across countries. It can be seen that some countries, such as China and to a lesser degree Brazil, Canada, Nigeria and the Philippines are on the brink of recovery, while others, such as Oman, Singapore, Malaysia, Spain and Hong Kong, are at the other end of the spectrum.

Infrastructure to lead recovery outside of Europe

As can be seen in Chart 2, infrastructure activity proved to be more resilient than other sectors during the second quarter. The level of activity on infrastructure projects did not change during the third quarter across most regions according to survey respondents. A pick-up in the Asia Pacific region was largely a result of China, where a net balance of +53% of respondents noted an increase in infrastructure workloads in Q3.

Chart 1: Global Construction Activity Index*

Chart 2: Current and expected workloads

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

Survey responses were supported by the following organisations:

Perhaps unsurprisingly given how the pandemic has forced policymakers to rethink the structure of their economies, the information and communication technology (ICT) sub-sector appears to be the most resilient. Globally, it was the only sub-sector of the infrastructure market* where respondents noted an increase in workloads (in net balance terms) during the third quarter. In fact, amongst the 26 markets tracked by this survey, only a net balance of participants in two (Hong Kong and Oman) noted a decline in ICT workloads, and even then only marginally so.

Work on infrastructure projects is also expected to lead the global recovery over the next year, especially in Asia Pacific and the Middle East and Africa. Outside of China, the outlook for infrastructure workloads is particularly robust in Australia, New Zealand, the Philippines, Sri Lanka, Saudi Arabia, Nigeria and Qatar. Although in Europe more generally private residential workloads are expected to be the first to recover, respondents in Italy have an upbeat outlook for infrastructure. In the Americas, where workloads are expected to be more subdued over the next year than in other regions, the outlook for infrastructure in Canada is particularly strong.

Hiring not expected to increase in 2021

During the third quarter, respondents in most markets continued to report a cut in headcounts, as can be seen in Chart 3. The UK, Netherlands and Germany were the only exceptions to this where respondents saw aggregate headcount more or less unchanged in Q3. Though contributors in all three markets did report a decline in headcounts during Q2, and those in Germany expect further cuts over the next twelve months.

Several markets, including India, the UAE, Singapore and Oman continued to see sharp reductions in headcounts (in net balance terms) during the third quarter. The outlook for headcount remains subdued, with little change expected globally over the next twelve months. With the exception of Saudi Arabia, markets that expect hiring to rebound over the next year expect only a modest improvement at best. Meanwhile, respondents in Oman, Spain, Hong Kong and others expect the reduction in headcount over the next year to be significant.

Uncertainties complicate the recovery

Policy uncertainty may be contributing to this. Many governments have launched subsidies to help offset wages so long as companies do not cut headcounts. However, it is not clear whether these will be extended long enough for recoveries to take hold making it unclear as to whether companies will have capacity to maintain employment at current levels. Adding to these difficulties, profit margins are expected to deteriorate over the next twelve months.

An uncertain outlook for demand outside the infrastructure sector means that tenders are only expected to increase less than 1% globally over the next year** while construction costs are expected to rise more than 3% over the same period. Supply chain bottlenecks appear to be driving up the costs of materials used in construction, while in some jurisdictions travel restrictions have cut the supply (thereby increasing the expected cost) of labour.

Chart 3: Headcounts

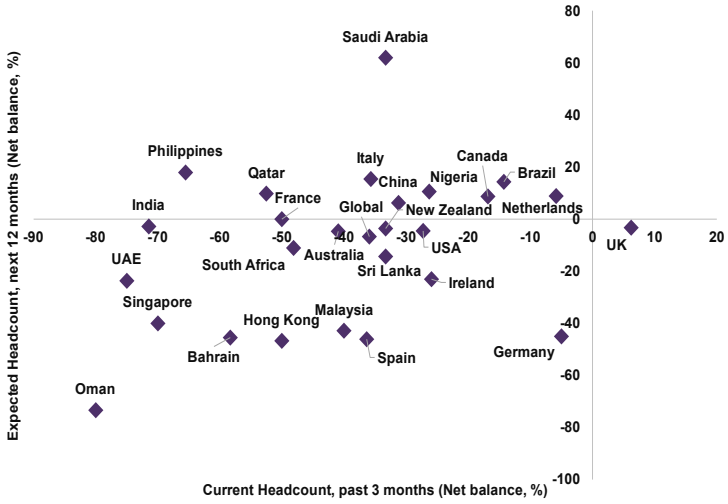
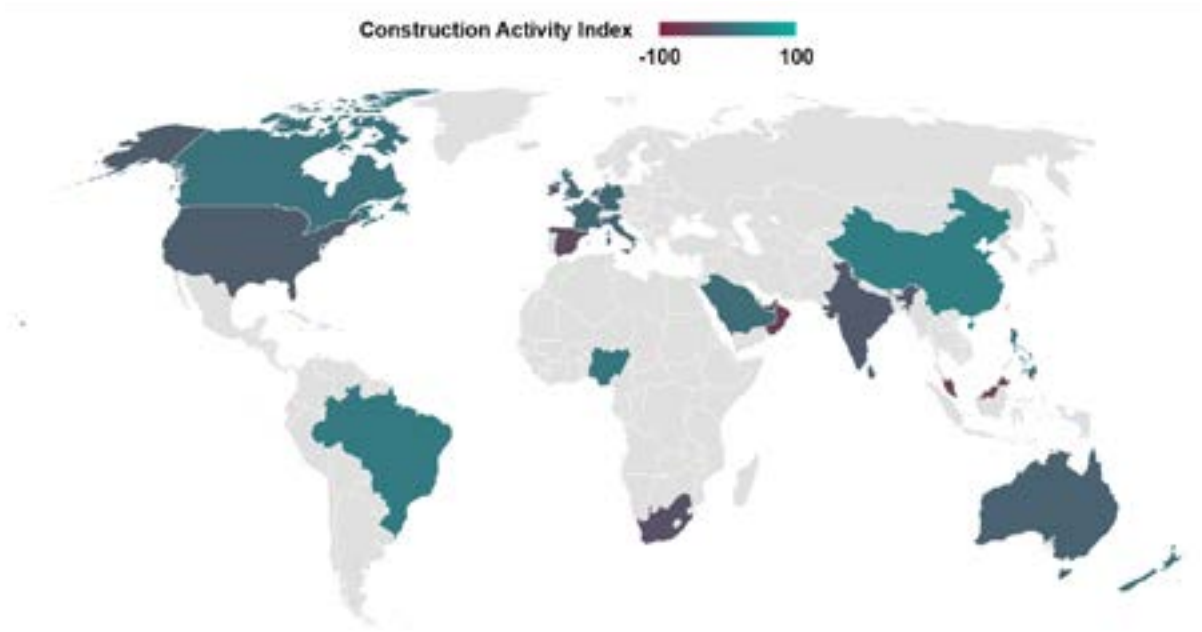


Chart 4: Construction Activity Index by country



*The other infrastructure sub-sectors tracked by this survey are energy, transportation, social, water and waste, and agribusiness.

**A full breakdown of tender and cost expectations can be found on page 11 of this report

RICS Special Report: Sustainability issues within the Global Construction Sector

As part of the Q3 2020 RICS Global Construction Monitor, respondents were asked a series of additional questions focussing on how sustainable and green initiatives are being used to complete projects, the use of circular practices in construction and around the significance of measuring embodied and operational carbon in projects.*

Resilience to extreme weather seen as important

Feedback from professionals suggests that climate resilience factors are currently being taken into consideration across the construction sector. Globally, around 37% of contributors to the RICS survey believe that building resilience to extreme weather as a result of climate change is considered to be important for the majority of new projects.

When disaggregated, as Chart 1 shows, the share of participants taking this view is the highest across the Middle East and Africa (MEA) and Asia Pacific (APAC). Meanwhile, Europe appears to be at the bottom of the list with only around a quarter of participants stating that climate resilience factors are being taken into account for the majority of new work. Instead, more than 50% of participants across the region reports that building resilience to extreme weather is considered vital only for a small of number of new projects.

Resilience less of an issue for repair & retrofit work

In comparison, these issues are seen as less crucial for repair and retrofit work. Globally, around a quarter of survey participants believe that such factors are considered important for the majority of repair and retrofit projects. Significantly, around 40% believe that building resilience to extreme weather is regarded to be vital only for a very small number of repair and retrofit projects.

It should also be taken into account that around one-third of survey participants across the globe state that climate resilience factors are not considered to be at all important for repair and retrofit work. As shown in Chart 2, the share of participants taking this view is broadly similar across all regions.

Demand for recyclable materials has risen on balance

With respect to how circular economy practices are currently being used across the sector, around 15% of material and components costs are seen as being made up of recyclable and reusable materials and components globally. As shown in Chart 3, this proportion is slightly higher across APAC where roughly 18% of materials and component costs were seen as coming from recyclable and re-usable sources.

Globally around 44% of contributors believe that the demand for recyclable and re-usable materials has risen in the past year. As shown in Chart 4, the share is slightly higher across APAC and Europe with around half of the survey participants seeing a modest increase.

Although many respondents have not seen any change

Still, it is worth noting that a sizeable share of respondents globally and across regions state that there has been no change in demand for re-usable and recyclable materials over the past twelve months. Indeed, across the Americas, almost 60% of participants state that demand for such materials has remained unchanged in the past year.

Chart 1: Is building resilience to extreme weather as a result of climate change considered to be important when designing **new projects?**

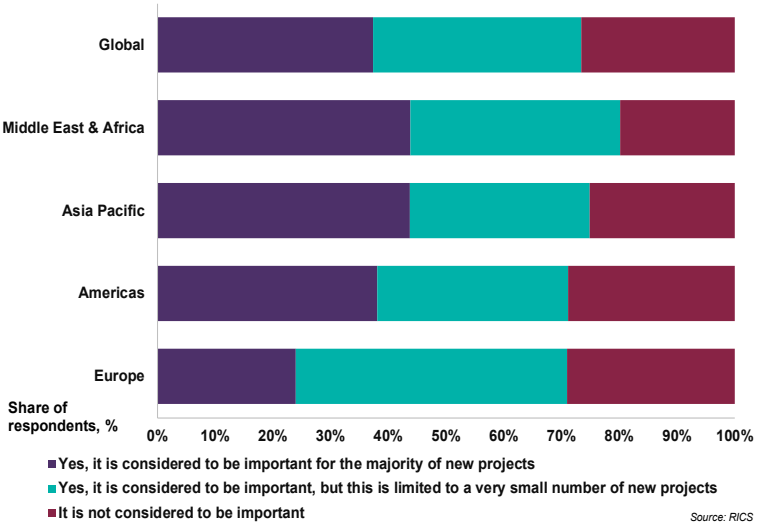
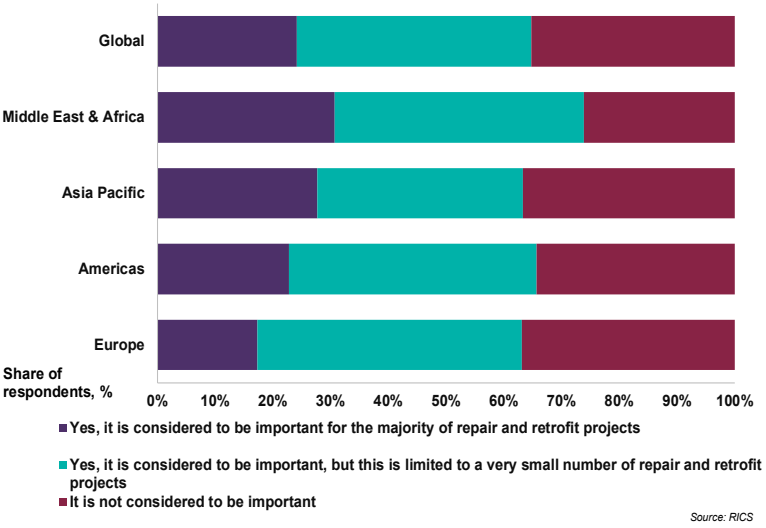


Chart 2: It building resilience to extreme weather as a result of climate change considered to be important when completing **repair and retrofit projects?**



Carbon emissions generally are not being measured

As far as measuring carbon emissions of construction work is concerned, almost two-thirds of the professionals globally state they do not measure carbon on projects. Significantly, this share is higher across the Middle East and the Americas, standing close to 77%.

Even if embodied and operational carbon is being measured across construction projects, there is little

evidence to suggest that this is having a meaningful impact on the choice of materials and components that are used. Indeed, around 19% of respondents claim that they do measure carbon but this does not substantially affect the choice of materials and components. Critically, only 18% of participants globally state that embodied and operational carbon is both measured across projects and that it also significantly affects the choice of materials and components.

Disaggregating the results, Chart 5 shows that more than half of contributors across most countries covered in the survey state they do not measure carbon on projects, with around 60% of contributors in the UK and China and roughly two-thirds in the US indicating this to be the case. This proportion is close to 80% across Brazil, Oman and Ireland.

Germany and other European markets seen as exceptions

Meanwhile, Germany and the Netherlands are placed at the other end of the scale, with a little over one-third of contributors stating they do not measure carbon across construction projects. For those that do, the majority (43% in Germany, and 50% across the Netherlands), state this does not have a significant impact on the choice of materials and components.

That said, feedback from other countries depicts a slightly more encouraging picture. In Spain, almost 60% of contributors state that they do measure carbon and that this does have a substantial impact on the choice of materials and components. Across India, this proportion stands at around 42%.

Chart 3: For construction and retrofit projects, and excluding interior fit-outs, what proportion of materials and component costs is made up of recyclable/re-usable materials and components?

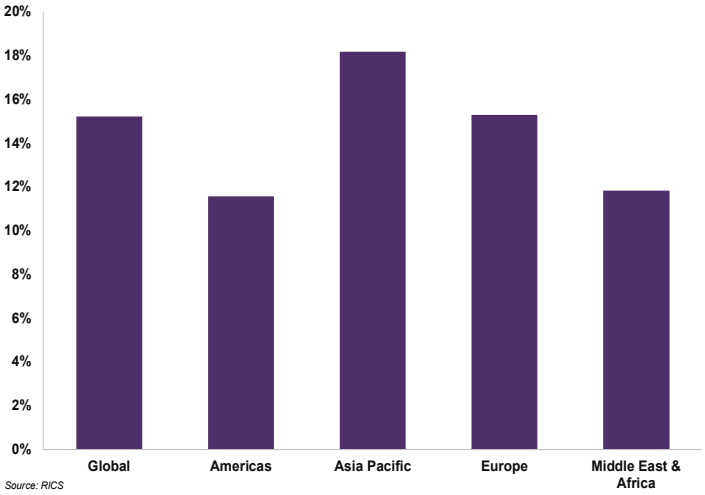


Chart 4: How has the demand for recyclable/re-usable materials and components changed in the past twelve months, compared to other materials and components?

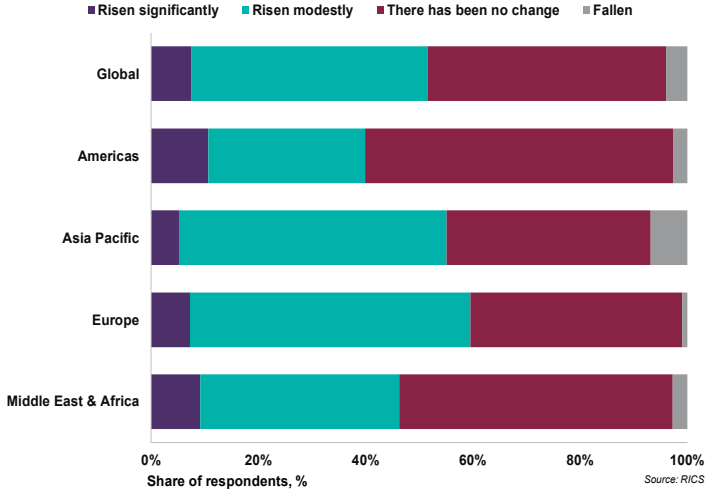
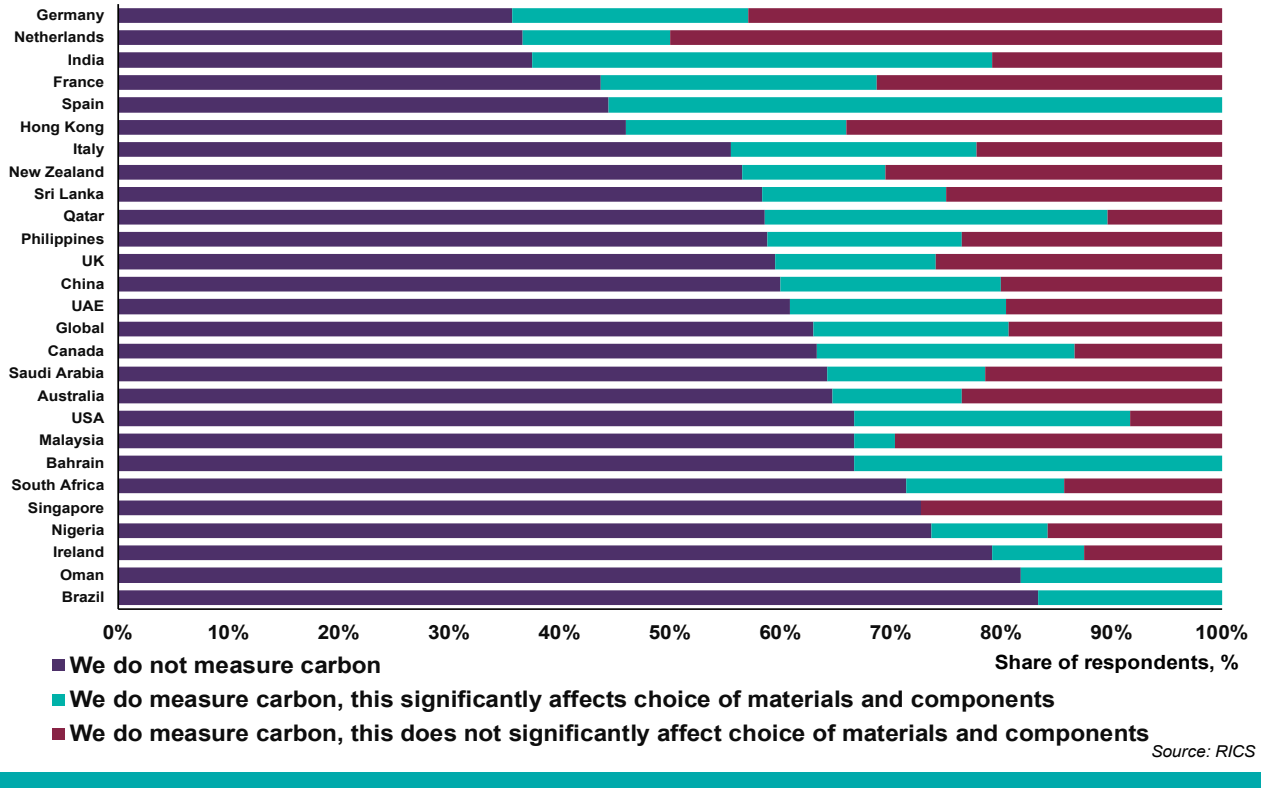


Chart 5: Do you measure embodied and/or operational carbon on your projects and, if so, how significantly does this affect the choice of materials and components?



Americas: United States remains flat with more evidence of recovery elsewhere in the region

Feedback regarding the construction sector in the Americas as a region is broadly in line with the global picture; the RICS Construction Activity Index for the former came in at -13 against -9 for the latter. However this masks significantly divergent responses from contributors within the Americas. In Canada, the reading for the Construction Activity Index was actually positive at +11 (v -13 in Q2) and for Brazil it was +22. By way of contrast, the US picture appears rather more downbeat according to the feedback we have received (-17).

Decline in activity slows

Chart 1 tracks the picture for current workloads across the Americas in (weighted) net balance terms. It suggests that all segments of the market have shown some improvement compared with Q2 and that private residential remains the most resilient sector. However, the picture in Canada reflects rather different underlying dynamics with infrastructure the strongest area (showing a positive net balance reading of +24%); this compares with +7% in Q2, -9% in Q1 and +15 %in Q4 of last year. Meanwhile, private residential is registering a modestly positive result of +5% which compares with a much more gloomy response in the previous survey (-23%).

Within the infrastructure category, digital expenditure (ICT) is the most robust area of growth in Canada and Brazil, but broadly flat in the US (in net balance terms) where most other components are still signalling a negative trend. Headcounts showed little sign of recovering in the third quarter with profit margins under pressure and, in a sign of the challenge facing the sector, payment delays being highlighted as an ongoing issue.

Infrastructure to lead the recovery

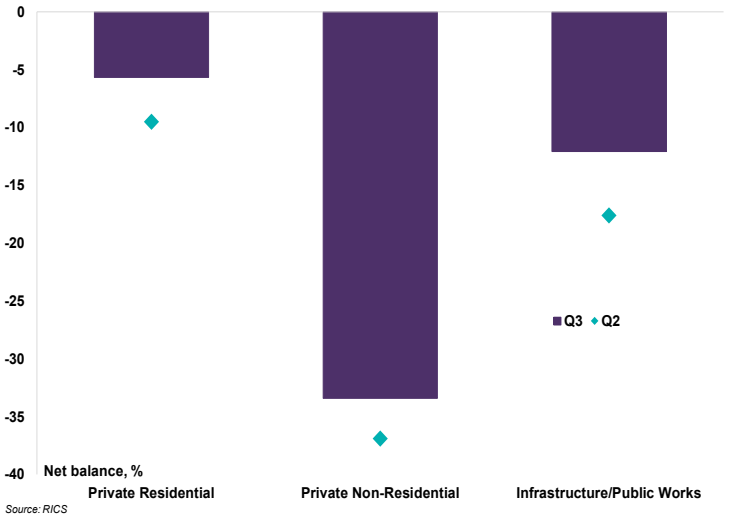
A very clear message from the Global Construction Monitor is that the infrastructure sector has an important role to play in helping to build the economic recovery over the next twelve months (chart 2). In both Canada and the US, infrastructure is viewed as likely to show the strongest growth within the construction sector with private residential contributing a more modest uplift. Profit margins are generally expected to remain under pressure and any increases in employment will be limited with businesses remaining risk averse.

In terms of the factor limiting output, a repeated refrain not just in the Americas but elsewhere as well, is that of financial constraints. This may manifest itself in differing guises but it is a consistent message. Indeed in both Canada and the US, it is the most cited challenge at the present time. The results also suggest that skill shortages remain a problem for the sector despite a generally subdued trend in workloads which highlights a potential constraint if confidence does continue to gradually improve through 2021.

Cost expectations outstrip tender prices

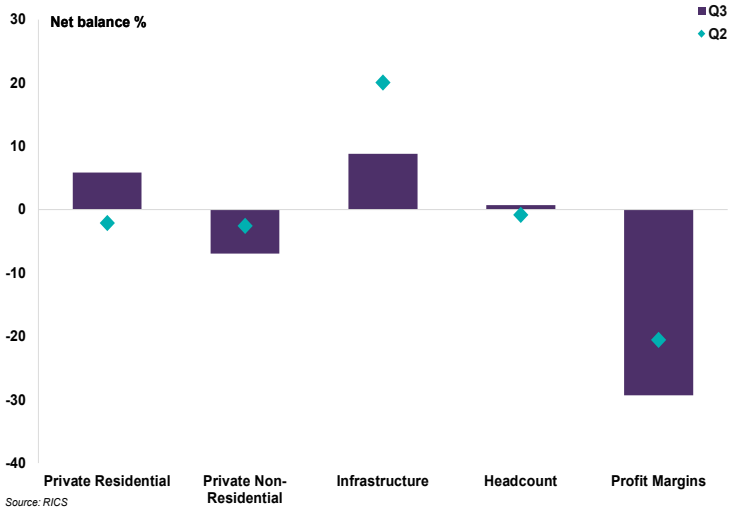
It is not surprising given the projections for profitability that tender prices are widely anticipated to show only modest growth over the next year. For the US, the increase is seen as somewhere between one and two per cent while construction costs are seen rising by around four per cent (led by higher material costs). In Canada, tender prices are viewed as rising a little more rapidly (around three percent) but once again, they are likely to be outpaced by the increase in construction costs which could exceed five per cent according to respondents to the survey.

Chart 1: Current workloads



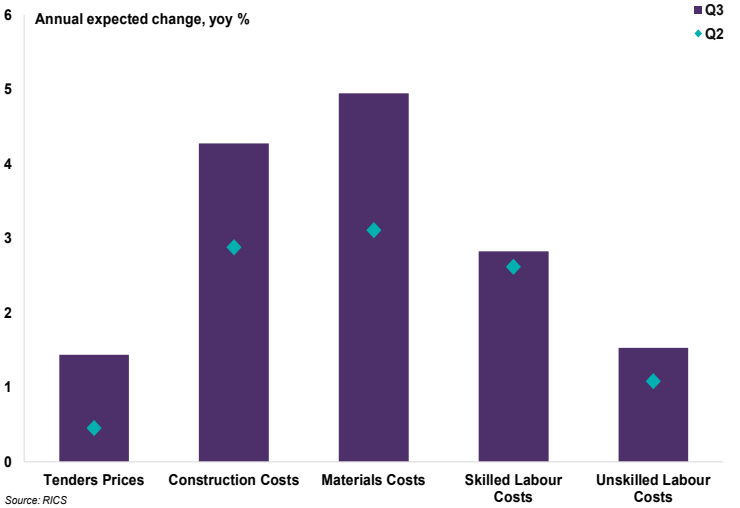
Source: RICS

Chart 2: 12-month expectations



Source: RICS

Chart 3: 12-month expectations (tenders/costs)



Source: RICS

Regional Comments from Survey Participants in the Americas

Antigua and Barbuda

There has been a surprising rise in construction in the past 12 months but mainly small residential. -*St. John's*

Barbados

Demand, skilled labour. -*Bridgetown*

Belize

Demand for new projects and infastructure as a result of the prevailing pandemic COVID-19. -*Belize City*

Bermuda

COVID-19 is impacting. Also general malaise in market beforehand. -*Hamilton*

Brazil

Cost of materials. -*Goiânia*

Low quality/high cost. -*Santana de Parnaíba*

High concrete aggregates. -*Sao Paulo*

Slowness and bureaucracy in obtaining project licenses and approvals. -*Sao Paulo*

Canada

COVID-19 has changed the way of life. So anything and everything related to construction market has changed. -*Brampton*

Lockdowns / Restrictions due to COVID-19 are affecting the construction market negatively. -*Brampton*

I expect a higher number of bankruptcies in the Industrial, Commercial Contracting Market due to COVID-19. -*Calgary*

Market price of oil & gas. -*Calgary*

Legislative and regulatory waste management and transportation. -*Chalk River*

Lack of private investment. -*Edmonton*

Right now COVID-19 restrictions & local competition. -*Kitchener*

Institutional market affects construction with 90 day late payment. -*Laval*

More projects are designing carbon neutral. -*London*

The clients seem to have little openness to alternative methods of project delivery. -*Montreal*

Labour shortage. -*Oakville*

Mainly the effect of COVID-19, plus low interest rate is highly benefiting for home builders. -*Ottawa*

Lack of competition in large construction sites - not enough large general contractors. -*Quebec*

Market conditions, too many projects at the same time and the COVID-19 impact. -*Quebec*

Private sector: demand of new housing. Social housing: government funding's availability. -*Scarborough*

We are seeing more small contractors attempting to take on larger projects than before. -*Toronto*

Supply of material linked to COVID-19. -*Toronto*

Material shortage & price increase. Regulating authorities response time due to working from home. -*Toronto*

COVID-19 specifically to jobs but also to personel availability with children going back school. -*Toronto*

Development permits. -*Vancouver*

Increasing real estate taxes, high land prices, not enough skilled workers. -*Vancouver*

There are signs that the impact of COVID-19 is leaving longer term damage in certain sectors/areas. -*Vancouver*

COVID-19 and potential shut down due to a second wave. -*Vancouver*

Pandemic COVID-19 issue. Distance issue on site and project meeting. -*Vancouver*

Cayman Islands

Demand on material and labor costs. -*Grand Cayman*

We are heavily dependent upon imports and therefore the gate prices of materials in the US. -*Grand Cayman*

Jamaica

Lack of skilled workers. -*Kingston*

Rise in material costs. -*Montego Bay*

Saint Lucia

Timely availability of materials. -*Vieux Fort*

Trinidad & Tobago

Lack of government revenues and continued budget deficits hampers investment in new infrastructure. -*Port of Spain*

United States

Potential cost and claims due to COVID-19. -*Greenville*

The introduction of Local Law 97 and the need for NYC buildings to reduce carbon emissions. -*New York*

Labour, material, regulatory laws related to COVID-19. -*New York*

Labor shortage and wood materials rising prices due to supply/demand imbalance. -*Orlando*

COVID-19 restrictions - increasing GC costs. Market is seemingly more competitive. -*Tampa*

Asia Pacific: Signs of a rebound in China, green shoots of recovery elsewhere

At an aggregate level, the Asia Pacific construction market appear poised to recover in the coming quarters, according to survey respondents. Chart 1 shows that with the exception of Hong Kong, the CAI increased (or became less negative) in every individual Asia Pacific market tracked by the Monitor. However, upon closer examination, it is evident that the only positive readings are found in a few core markets, while conditions in others continue to deteriorate.

China leads recovery in Asia Pacific

Chart 1 shows how the Construction Activity Index for Asia Pacific countries changed from the second to third quarters of 2020. It is evident that, similar to Q2, the largest improvement across the region can be found in China. Construction workloads in China during Q3 were primarily by a sharp increase (in net balance terms) in work on infrastructure projects, though, unlike in Q2, respondents also noted a modest increase in private non-residential workloads.

RICS professionals* in the Philippines, New Zealand, Sri Lanka and Australia also indicated that the construction sector is, to a greater or lesser degree, poised for recovery. The common thread between all of these markets is that activity in Q3 was largely led by infrastructure workloads, as work on private residential and non-residential projects continued to slow. Infrastructure workloads are expected to continue increasing in these markets over the next year, though outlook for other portions of the market varies across these nations. Non-infrastructure workloads in Australia are expected to remain subdued, while in New Zealand work on private residential projects is expected to begin to increase over the next twelve months. The recovery in the Philippines and Sri Lanka is expected to be more broad-based.

Weakness persists in India, ASEAN

However, it is evident from Chart 1 that not all markets in Asia Pacific appear to be on the verge of recovery. Namely, respondents in India and most ASEAN markets** highlighted a continued pullback in work during the third quarter, while activity over the next twelve months is expected to be muted.

Perhaps it is not surprising that this is mirrored in regional headcounts (Chart 2). Respondents across Asia Pacific noted a reduction in headcounts during Q3, in line with the global average. Headcounts in India and ASEAN (excluding the Philippines) appear to have seen a sharper reductions during Q3. Interestingly, though respondents in Asia Pacific have reported consecutive quarters of headcounts being cut, only in China and the Philippines are these expected to be recouped to some degree over the next twelve months.

Margins to remain under pressure

The Q2 Construction Monitor included a special report on the effects of COVID-19 on the construction sector. This included measuring the effects of underbidding, where globally 45% of respondents highlighted consistently receiving bids below cost. The issue of underbidding for projects appears likely to persist through 2021 given, as shown in Chart 3, construction costs are expected to rise faster than tender prices across Asia Pacific over the next twelve months.

Construction costs in Philippines, India, Sri Lanka and Singapore are expected to rise significantly faster than the regional and global average. This appears to be related to expectations surrounding increases in labour costs, particularly unskilled labour, and may be related to an increased reliance on migrant labour in some markets.

Chart 1: Construction Activity Index

Source: RICS

Chart 2: Headcounts

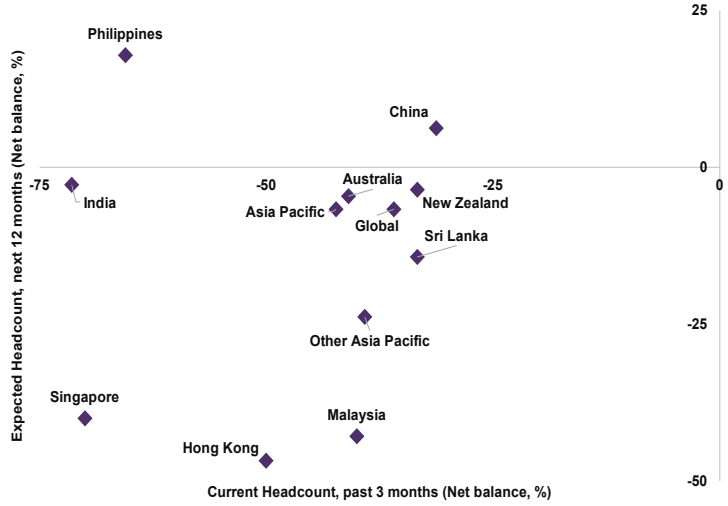
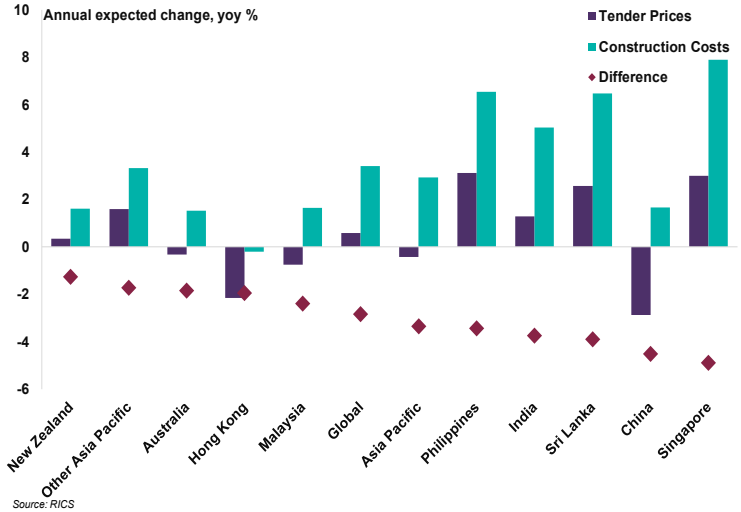


Chart 3: 12-month expectations



Source: RICS

*In the Philippines this includes respondents from PICQS **"Other Asia Pacific" is weighted towards ASEAN including Thailand and Vietnam

Regional Comments from Survey Participants in Asia Pacific

Australia

Travel restriction impacting the available pool of skilled labour. -*Cairns*

Capital cost reduction is the primary driver; cost-in-use and environmental consideration less so. -*Melbourne*

COVID-19 border closers are effecting the travel of site construction staff. -*Perth*

Covid-19 restrictions has an impact on imported materials/equipment being delivered on time. -*Perth*

In the short term there is uncertainty over the impact of COVID-19 and any shutdowns. -*Sydney*

Projects coming to tender or tendered and not started are being delayed or slower to start. -*Sydney*

Investors are unwilling to take risks and the number of new projects has declined. -*Sydney*

China

This year is currently affected by the epidemic. At the same time, since my company's newly signed projects were at the end of last year, it has not been affected at present, but the task of signing new projects this year is very difficult. -*Chengdu*

Financial capital is tight, corporate financing difficulties. -*Hubei*

Due to the impact of the epidemic, the market has not fully recovered, and it will take some time. -*Shenzhen*

Hong Kong

COVID-19 has pushed surplus labour from small to large contractors who use this to charge a premium.

India

Pandemic caused shortage of labour, reduced demand and capital. -*Bengaluru*

Availability of skilled manpower, COVID-19 regulations and distancing has resulted in low productivity. -*Bengaluru*

Higher land costs hamper the growth of real estate segment. -*Chennai*

Many small companies are participating in the bids thus creating increased competition in projects. -*Chennai*

Decline in market demand and shortage of resources and labour due to COVID-19. -*Delhi*

As no fixed income expectations, buyers are not coming forward for owning new infra facilities. -*Hyderabad*

Sale costs are still on the higher side compared to construction and other costs. -*Mumbai*

Tech driven platforms are still not used for site management. -*Mumbai*

Malaysia

Continue building infrastructure to prepare for post COVID-19 particularly from 2021 onwards. -*Johor Bahru*

Pandemic COVID-19 movement control order, there is over-supply of residential buildings. -*Kuala Lumpur*

Budget allocated by the government definitely affected the construction market. -*Kuching*

Oversupply of the newly completed project, unstable market due to COVID-19 totally affected this. -*Rawang*

New Zealand

COVID-19 is resulting in imported material delays, a highly competitive office fitout market. -*Auckland*

COVID-19 is affecting the ability to bring skill labour and professionals in to the country to support. -*Auckland*

The market has improved since COVID-19, many projects that were on hold have been queried again now. -*Auckland*

COVID-19 constrains internationally sourced materials and specialist labour. -*Christchurch*

The financial impacts of COVID-19 is reducing the number of new projects that we can proceed with. -*Dunedin*

Embodied & operational carbon is coming into play and we are currently doing testing and setting up. -*Wellington*

Philippines

Mostly because of the pandemic, a number of projects where on hold or weren't realized. -*Manila*

Shortage of skilled and unskilled workers, shortage of testing and safety equipment for employees. -*Manila*

Singapore

Lack of technical knowledge when it comes to QS works especially the subcons.

Revised standard operating procedures on site post COVID-19.

COVID-19 affected our foreign workers who stay in dormitory and at site with social distancing.

Sri Lanka

COVID-19 pandemic has restricted imports to the country which effects construction and it's costs. -*Colombo*

Taiwan

The construction cost on the market has risen by about 30% such as concrete iron, cement & conerete. -*Taipei*

Europe, the Middle East and Africa: Stable conditions reported in some markets, while others continue to struggle

The latest survey feedback across EMEA points to a somewhat steadier picture emerging throughout the region in aggregate, even if a large degree of disparity remains present at the individual country level. Nevertheless, portions of the infrastructure sector (most notably ICT) stand out as having seen a solid pick-up in construction activity in the vast majority of markets covered.

Construction activity index stabilises in several markets

The headline Construction Activity Index improved (or turned less negative) in all markets covered across EMEA during Q3. This turnaround was most significant in Nigeria, where the latest reading rose to +16, following a figure of -11 previously. Similarly, the Q3 figure of +5 in Saudi Arabia is indicative of a much more stable picture in activity compared to last quarter's return of -17. Likewise, headline conditions also appeared to stabilise in the Netherlands, Germany and France, which all posted readings close to zero. In all three of these European markets, workloads on ICT infrastructure reportedly rose at a solid pace.

At the other end of the scale, the Construction Activity Index remains stuck in negative territory in South Africa and the UAE, albeit marginally less so than previously. In both cases, workloads continue to fall relatively sharply across all sectors.

Headcounts reduced in most areas

Despite this steadier activity pattern coming through in some areas over Q3, headcounts were further reduced across virtually all EMEA nations covered by the survey. As shown in Chart 2, the UK was the only country that did not post a negative net balance regarding headcounts over the past three months, and even then the Q3 trend was flat rather than positive. Meanwhile, headcounts were cut sharply in Oman, the UAE, Bahrain, Qatar and France, with the net balance coming in below -50% in each instance.

Looking ahead, expectations for employment levels over the coming year are mixed across different localities. Leading the way, a net balance of +62% of respondents in Saudi Arabia anticipate headcounts rising over the next twelve months. Elsewhere, expectations are modestly positive in Italy, Nigeria, the Netherlands and Qatar. Conversely, respondents in Oman, Bahrain, Spain and Germany anticipate a relatively steep fall in employment across the construction sector in the next year.

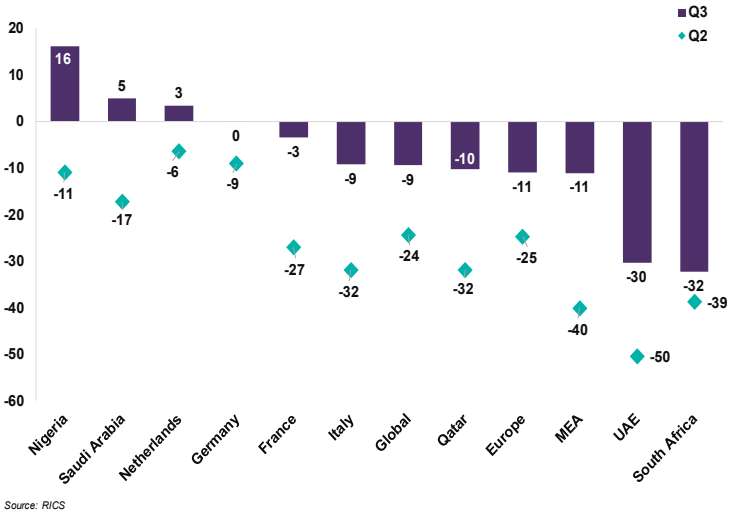
Europe displaying solid expectations for private residential workloads

At the pan-European level, a net balance of +25% of respondents foresee private residential workloads rising over the year ahead (up from zero in the Q2 results). When disaggregated, expectations are strongest in France (net balance +50%), Germany (net balance +48%) and the Netherlands (net balance +46%). Away from the residential sector, projections are more subdued. In aggregate across Europe, infrastructure workloads are expected to remain more or less steady, while the outlook for private non-residential workloads is slightly negative.

Infrastructure growth expected to lead the way in MEA

Illustrated in Chart 3, the infrastructure sector exhibits the strongest expectations across all categories within the MEA region. At the aggregate level, a net balance of +32% of contributors envisage infrastructure workloads picking up over the year to come. Alongside this, expectations are also modestly positive for both private housing and private non-housing workloads across the region.

Chart 1: Constuction Activity Index



Source: RICS

Chart 2: Headcounts

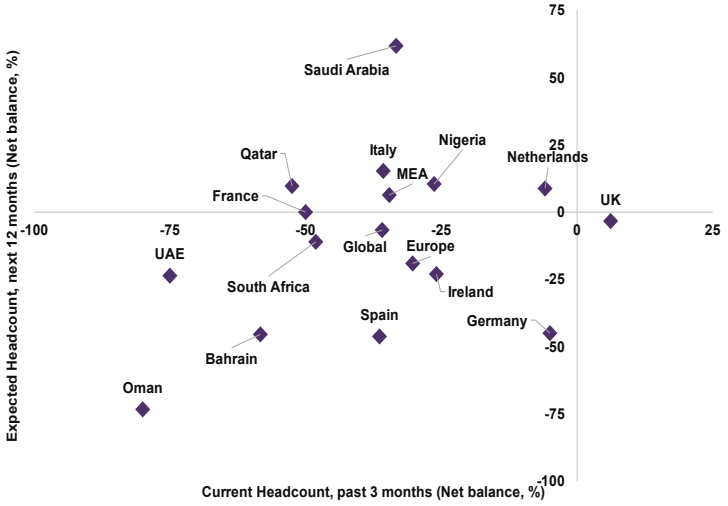
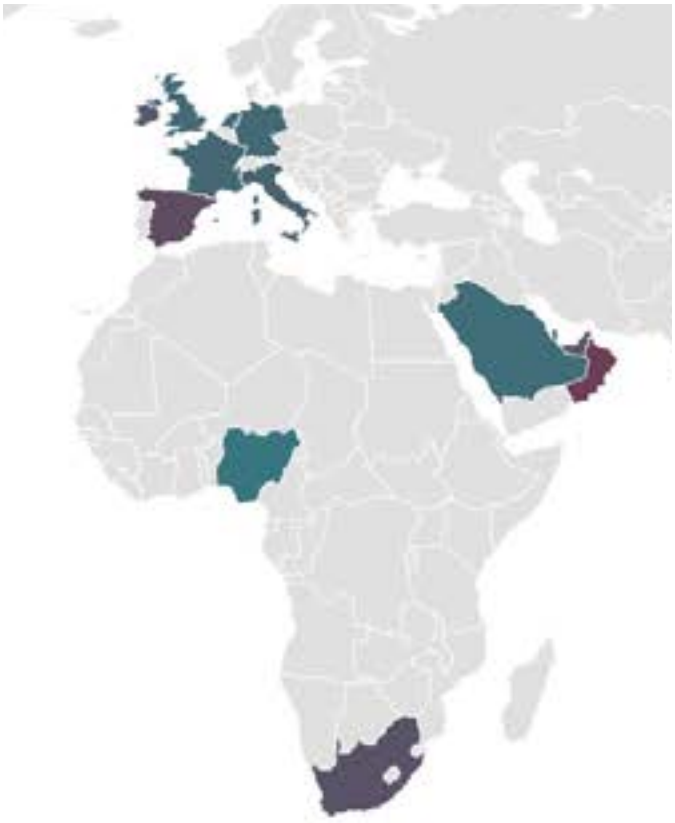


Chart 3: 12-month workload expectations

Source: RICS

Regional Comments from Survey Participants in EMEA ex-UK



Austria

Health and safety measures are increasing due to COVID-19. -*Vienna*

A lot of workers come from hungary, due to the closed borders it was difficult to come to Austria. -*Wiener Neustadt*

Bahrain

COVID-19 has caused uncertainty in developments that depend on confidence in the mobility of people. -*Manama*

Cash flow is poor, everyone is expecting a discount. -*Manama*

Botswana

Border restrictions on travel between neighbouring countries due to COVID-19. -*Gabarone*

Bulgaria

Limited supply of land plots and feasible projects which are sustainable and environmentally friendly. -*Sofia*

France

COVID-19 and demonstrations having an impact. -*Paris*

Germany

Delay in planning permissions due to impaired work of authorities. -*Berlin*

Ireland

Large demand for data centre capacity supporting this area of construction. -*Cork*

Italy

COVID-19 new regualtions and limitations. -*Rome*

Mauritius

COVID-19 new regualtions and limitations. - *Port Louis*

Morocco

Availability of Skilled labour die to travel restriction resulting from COVID-19 control measures. -*Rabat*

Netherlands

Infrastructure continues. This is mainly a market determined by government. Decision-making is uncertain. -*Arnhem*

Nigeria

Bad economy has greatly reduced the peoples/government's initiation of new construction projects. -*Abuja*

Inadequate supply of materials due to the high importation rate of building material components. -*North central*

Unstable market price of materials and government policies. -*Lagos*

Oman

The impact of COVID-19 pandemic on national economy has a knock-on effect on construction market. -*Al Khuwair*

Global issues, a downturn in the economy, and the pandemic situation are not attracting investors. -*Muscat*

COVID-19. Extremely delayed payments. Lack of liquidity. -*Muscat*

Qatar

Bank financing of contractors has slowed. -*Doha*

COVID-19 imposed restrictions and changes in legislation having an effect. -*Doha*

Saudi Arabia

The global pandemic has had a serious impact on the movement of labour.-*Riyadh*

Coronavirus delaying the recruitment process and imported materials procurement. -*Riyadh*

COVID-19 issue, government decisions on lockdowns, hiring competent manpower is difficult, high material Prices- *Riyadh*

South Africa

COVID-19 has knocked any confidence that there was; developers are sitting on their hands. -*Johannesburg*

The construction market is currently slow with the view picking up. -*Johannesburg*

Safety measures related to COVID-19 are increasing construction costs and time to completion. -*Johannesburg*

Spain

Uncertainty is the biggest problem for investment. -*Madrid*

The cost of construction has risen to unpredictable levels. -Marid

Switzerland

COVID-19 measures severely affecting productivity and markets. -*Solothurn*

Uganda

COVID-19 lockdown period had some sites closing down and they haven't acquired funds to reopen. -*Kampala*

UAE

COVID-19 Impact adds additional cost to contracts due to complience with new rules and regulation. -*Abu Dhabi*

Limited number of new projects combined with an oversupply of resources due to COVID-19. -*Dubai*

Slowdown in investments. Significant mentality change towards digitalisation and use of space. -*Dubai*

RICS Consensus 12-month Expectations

	Tender Prices	Construction Costs	Materials Costs	Skilled Labour*	Unskilled Labour*
Global	**+0.6%**	**+3.4%**	**+3.7%**	**+2.6%**	**+1.2%**
Americas	**+1.4%**	**+4.3%**	**+4.9%**	**+2.8%**	**+1.5%**
Brazil	+0.5%	+4.7%	+6.2%	+1.8%	-0.9%
Canada	+3.1%	+5.5%	+5.9%	+4.0%	+3.0%
United States of America	+1.4%	+3.7%	+4.6%	+2.9%	+1.5%
Other Americas	+1.4%	+5.5%	+5.2%	+2.9%	+2.2%
Asia Pacific	**-0.4%**	**+2.9%**	**+3.5%**	**+2.7%**	**+1.2%**
Australia	-0.3%	+1.5%	+2.8%	+1.6%	+0.3%
China	-2.9%	+1.7%	+2.6%	+2.1%	-0.9%
Hong Kong	-2.2%	-0.2%	+0.2%	-0.7%	-1.3%
India	+1.3%	+5.0%	+5.1%	+5.6%	+5.5%
Malaysia	-0.8%	+1.6%	+3.1%	+2.8%	+2.4%
New Zealand	+0.3%	+1.6%	+3.2%	+1.7%	+0.4%
Philippines	+3.1%	+6.6%	+6.3%	+3.8%	+3.1%
Singapore	+3.0%	+7.9%	+6.7%	+6.5%	+5.5%
Sri Lanka	+2.6%	+6.5%	+7.3%	+5.0%	+4.4%
Other Asia Pacific	+1.6%	+3.3%	+3.8%	+1.8%	+1.4%
Europe ex-UK	**+0.7%**	**+2.3%**	**+2.0%**	**+2.0%**	**+0.4%**
France	+1.9%	+2.5%	+1.7%	+1.8%	+0.7%
Germany	+0.7%	+2.8%	+2.3%	+1.7%	+0.3%
Ireland	+1.4%	+4.2%	+4.2%	+2.7%	+2.4%
Italy	+0.7%	+3.3%	+3.3%	-0.0%	-2.8%
Netherlands	+0.0%	+1.6%	+1.5%	+1.4%	+0.6%
Spain	-3.9%	-1.2%	-2.0%	-1.8%	-4.6%
Other Europe	+1.0%	+2.3%	+2.3%	+2.8%	+1.5%
Middle East & Africa	**+2.5%**	**+6.3%**	**+5.9%**	**+3.2%**	**+2.1%**
Bahrain	-0.6%	+0.5%	+1.7%	+1.7%	+1.2%
Nigeria	+5.7%	+10.2%	+10.2%	+6.1%	+4.6%
Oman	-1.9%	-1.0%	+0.7%	+0.2%	-1.2%
Qatar	-0.3%	+4.0%	+5.3%	+4.2%	+3.7%
Saudi Arabia	+4.2%	+6.8%	+6.4%	+2.6%	+1.6%
South Africa	+1.8%	+6.3%	+6.6%	+4.4%	+3.5%
United Arab Emirates	-2.4%	+0.0%	+1.1%	-1.4%	-0.9%
Other Middle East & Africa	+2.4%	+6.5%	+5.7%	+3.2%	+2.0%

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

Information

Global Construction Survey

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

Methodology

Survey questionnaires were sent out on 12 September 2020 with responses received until 18 October 2020. 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 1358 company responses were received globally, 367 of which were from the UK.

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

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

Disclaimer

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Responses were gathered in conjunction with the following organisations:

Confidence through professional standards

RICS promotes and enforces the highest professional qualifications and standards in the valuation, development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to markets and effecting positive change in the built and natural environments.

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