

Mace steadies tender price forecast, suggesting 2024 slowdown

3 years ago



Mace, the global consultancy and construction firm, has announced no change to its tender price forecast for Q3 with positive and negative influences balancing costs for the industry.

The company has released its Market View Q3 report which includes the maintained forecast of 3.0% for London and 3.5% in the rest of the UK for 2023.

A key factor impacting the forecast included the continued dip in material costs, with prices dropping over the summer and now noticeably down compared to a year ago. This reduction has been primarily driven by the reduced cost for steel and wood although other materials continue to rise.

The report also highlights a slight increase in construction output, up by 0.3% in Q2 - making it a 1.2% increase in the first six months of the year. However, this increase is attributed to a swell in repairs and maintenance works, rather than new construction projects.

With a UK General Election looming, along with the wide-ranging impact of the RAAC debacle and sustained doubt around major programmes such as HS2, the report outlines how uncertainty is likely to continue to be a challenge for the industry in the coming quarters.

Andy Beard, Global Head of Cost and Commercial Management at Mace, said:

“The economy continued to struggle over the past quarter, and is likely to persist into 2024. Against this backdrop, the Bank of England has tightened monetary policy further and this is causing significant challenges for construction’s largest sector, housing.

“Inflation may be easing but it is still far too high, and despite construction material prices now falling, the pressure caused from historical increases is still a major issue.

“Given the fiscal squeeze caused by higher interest rates and inflation, it was always likely that public spending would come under pressure. If Q3 sees another very low set of new orders data, we may need to lower our tender price forecasts. An impending general election only adds to market unpredictability.