

Tender price index up 0.5% according to BCIS

1 year ago



Tender prices increased by an estimated average of 0.5% between 1Q 2024 and 2Q 2024, according to the latest data from the [Building Cost Information Service](#) (BCIS).

The increase resulted in 2.3% annual growth in the BCIS All-in Tender Price Index, down from a peak of 10.3% observed in 2Q2022.

The range of responses reported on tender price movement between 1Q 2024 and 2Q 2024 was between 0.25% and 0.8%. Unchanged from the last quarter, the panel reported overheads and profit, as a percentage of the contract sum, at an average of 5.3%.

BCIS chief economist, Dr David Crosthwaite, said the panel has continued to highlight the cautious approach which is prevalent in the industry at the moment, with contractors particularly risk-averse and, in some cases, unwilling to bid on projects they would historically have done so.

He said: *"Panellists have talked about this as a new normal, which has come about since the pandemic because of recent high inflation and ongoing high borrowing costs, and which is feeding through into the sorts of projects that contractors are looking to bid on."*

When asked how easy it was to get contractors to tender, the TPI panel pointed to a slightly decreased eagerness in 2Q 2024 compared with the previous quarter.

Looking at their pipeline of work, 36% of respondents reported a slight increase in anticipated projects going to tender in the next 12 months, compared with the previous 12 months.

A further 36% said their pipeline was unchanged from 1Q 2024 to 2Q 2024, while 27% said it had reduced slightly.

Dr Crosthwaite said: *"While panellists agreed that reduced interest rates, when they come, will help the viability of projects, a decrease in the Bank of England base rate is now not possible until August.*

"Even when the cost of borrowing begins to come down, panellists don't expect the impact on affordability to be instant or dramatic. Business cases, therefore, remain difficult to prove, particularly in commercial projects, where panellists suggested profit levels aren't stacking up."

As annual materials cost inflation remains in negative territory, panellists have reported fewer issues with pricing levels and availability. Copper was highlighted as a material currently seeing significant price increases, attributed at least in part to a surging demand for data centres.

Such projects were also cited among the reasons that mechanical and electrical (M&E) work continues to see differential movement in tender prices, which was reported by more than two-thirds of the panel.

Other reasons for the differential movement in this sector, compared to building work, include a shortage of skilled labour, and panellists again suggested this difference in pricing represents a 'new normal' for the industry.

While attacks to trade in the Red Sea represent an ongoing risk to inflation, panellists reported minimal impact of this in projects they've been involved with.

Dr Crosthwaite added: *"Insolvencies in the industry also continue to present a risk to supply chains, particularly – according to the panel in their latest report – in some areas outside of major cities, which can lead to higher tender prices in some areas.*

"Data from the Insolvency Service shows construction experienced the highest number of insolvencies in the 12 months to April, accounting for 18% of cases, with 4,401 firms becoming insolvent."

The BCIS TPI Panel estimate has been applied to the previous quarter index and rounded to the nearest whole number for publication. The estimate is the consensus of the BCIS TPI Panel, based on analysed Delphi survey results, and does not necessarily represent the views of individual participants.

BCIS has recruited a panel of practising cost consultants from firms involved in multiple tenders in each quarter, to provide an early estimate of tender price movement in the latest quarter based on a panel (Delphi) survey approach.

For more information about BCIS please visit: www.bcis.co.uk