

# Growth awaits more favourable conditions, and the approach of the next government

2 years ago



Mace, the global programme and project delivery consultant and construction expert, has published its latest UK Market View. It demonstrates that expectations need to be managed when it comes to long term growth for the industry as this will depend on more favourable conditions and the approach of the next government.

The report states that Mace's current tender price inflation forecast nationally has not changed since earlier this year, standing at 2.5% for 2024 and 3% for 2025 and 2026. The figures for London remain at 2%, 2.5% and 3% respectively.

Looking widely at the market, the report highlights that, by some measures, conditions are becoming slightly more favourable. In annual terms, material costs are 2.3% down and total construction new orders are higher than at the end of 2023. Labour cost pressures continue to ease and insolvencies in Q1 were at their lowest level since the end of 2021.

At the same time though, it was another challenging quarter for construction output with the industry shrinking 0.9% and pipelines remain weak. Earnings growth is lower than the average for the whole economy and vacancies remain incredibly high.

In fact, there are around 40% more vacancies than in 2019, far worse than the wider economy and the CITB, in its latest outlook, suggests there will need to be an extra 251,500 workers entering the industry over the next five years.

At a time of change and uncertainty, indicators suggest that the policies of any new government will take time to have an effect and it would be surprising if anything fundamental changed over the coming

months. However, the hope is that as we move into 2025 progress will be made.

Oliver North, Director of Cost and Commercial Management, UK & Europe, Mace Consult said: “The next government needs to help create the right environment for infrastructure projects to help productivity and in turn attract investment to the UK. However, long-term growth is something that the industry will need to be patient for as key metrics remain mixed.

“While the electoral outcomes domestically and overseas have the potential to impact costs and affect our industry, as a sector we are always working proactively to be ready to deliver. Best practices remain paramount; there needs to be close alignment between clients, consultants, contractors and subcontractors with supply chains engaged early and working collaboratively to ensure optimal outcomes.

“From a cost perspective at least, conditions do seem to be becoming slightly more favourable, albeit not enough for us to adjust our tender price outlook.”