

Construction Industry Faces 'Productivity Paralysis' as Middle East Conflict Drives Uncertainty

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Construction companies risk becoming stuck in a productivity 'paralysis' over economic uncertainty and geopolitical instability, a leading consultancy has warned.

Multi-disciplinary consultancy [Pick Everard](#) says mitigating the impact of inflation and supply chain disruption requires active planning to overcome the threat of cracked construction pipelines and reduced demand.

The warning follows its recent survey, which found 70 per cent of respondents working in construction fear prices and capacity will be severely affected as a result of oil restrictions within the next six months.

Inflation has now reached 3.3 per cent, largely driven by an increase in fuel prices driven by the war in the Middle East. This has intensified pressure on an industry already grappling from fragile confidence and ongoing project delays.

[Gavin Mason](#), Operations Director at Pick Everard, said sitting tight is not an option and urged construction companies to take a proactive risk management approach.

"It's not a lack of intent that is the issue now," he said, "but a 'watch and wait' mentality that is threatening growth.

"The problem is that the shockwaves from the Iran war are likely to be felt by construction for some time - regardless of how peace talks play out. In these volatile times we need to collaborate and foster agility

through strategies like advanced procurement and data sharing.”

In the latest market intelligence from Pick Everard, 45 per cent of respondents described the mood of the construction industry as concerned or very pessimistic.

Survey participants, comprising clients, contractors, developers and consultants, cited costs and viability as among the biggest challenges they face, while nearly 70 per cent of respondents fear that a further squeeze on prices and capacity is imminent.

The research, carried out last month (MARCH), showed more than half of those surveyed believe the war in the Middle East had affected immediate delivery plans. Only 17 per cent thought inflation had minor or no impact on construction projects.

“The past six years have seen three consecutive periods of major supply chain disruption – the triple shock of COVID, the conflict in Ukraine and now the Gulf. This is starting to feel like the new normal, and the effects are felt throughout the economy long after the events have stopped.

“As advisers, we need to approach buildings in a way that helps clients de-risk construction programmes by prioritising locally sourced materials and specifying less energy-intensive products that are less vulnerable to major price fluctuation. This isn’t just about meeting a sustainability target now; it’s about project viability.

“Our clients are continuously seeking to make schemes solvent and are already struggling with the previous impacts on cost driven through crises, planning and statutory compliance. It will be more important than ever to tap into strategic design and project advice to make sure projects become deliverable.”