

## CONSTRUCTION OUTLOOK: APRIL 2022

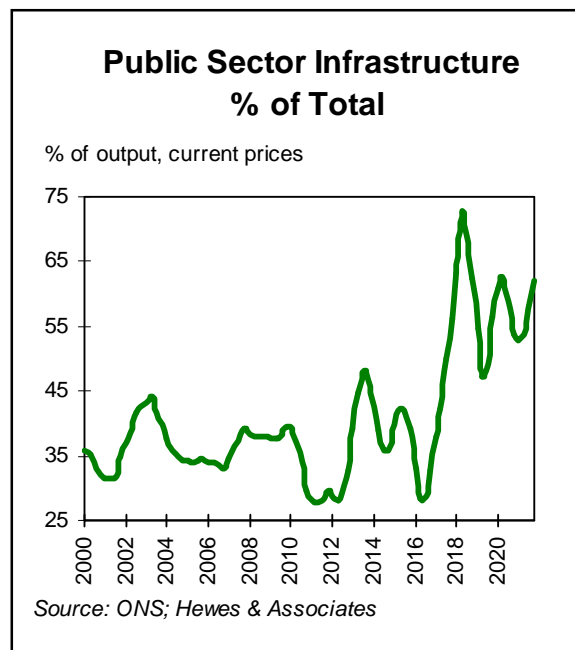
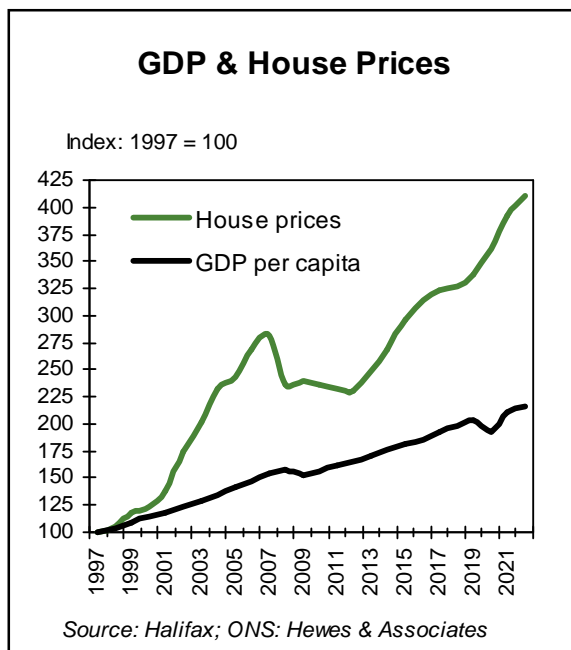
The economic recovery following Covid now faces extreme challenge via the war in Ukraine. This is serving to render the inflationary and supply chain problems witnessed over late 2021 worse, and it now seems that the UK economy will experience weak growth at best to 2024. The current trajectory of inflation implies further increases in interest rates, increases that will be uncomfortable for economies and industries that have become very familiar with near zero interest rates.

After declining by 15% in 2020, GB construction output is estimated to have risen by 13% in 2021, while the outlook for 2022 is one of near stability when viewing construction volumes. For 2023 we expect a modest drop in workloads. Measured in current prices, total industry output is forecast to increase by almost 10% over the years 2022-2024 – almost £17 billion.

Two themes will likely dominate over the medium-term: the ability and willingness of Government to deliver on its planned increases in public sector investment; and the impact of increased interest rates on sectors such as housing and commercial property, sectors that have thrived in a low interest rate environment. While we do not expect base rates to rise above 2%, compared with near zero rates that represents a relatively marked change.

In line with the above we expect weaker workloads in the commercial sector beyond 2022, while in the private housing market a cooling is forecast from the 2020/2021 boom. While prices have in many senses overshot as a result of the stamp duty holiday and very lax monetary policy, large house price falls are not expected.

Infrastructure output volumes, which increased by 30% in 2021, are forecast to experience continued buoyancy to 2024/2025, with transport and energy investment key factors.



### HEWES & ASSOCIATES