

## CONSTRUCTION OUTLOOK: APRIL 2024

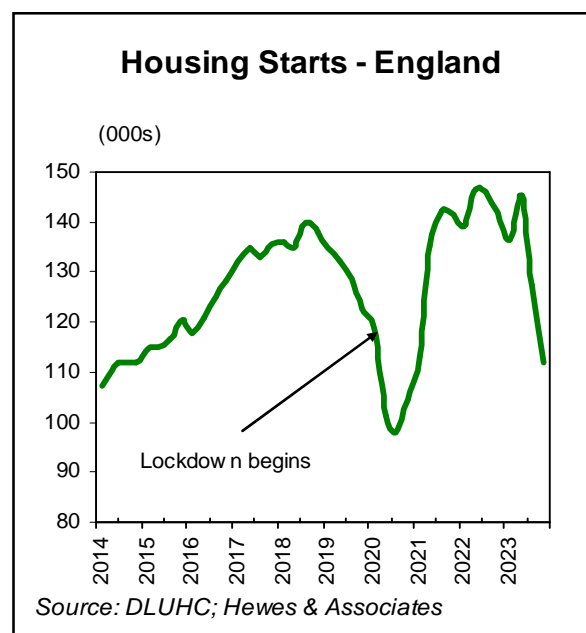
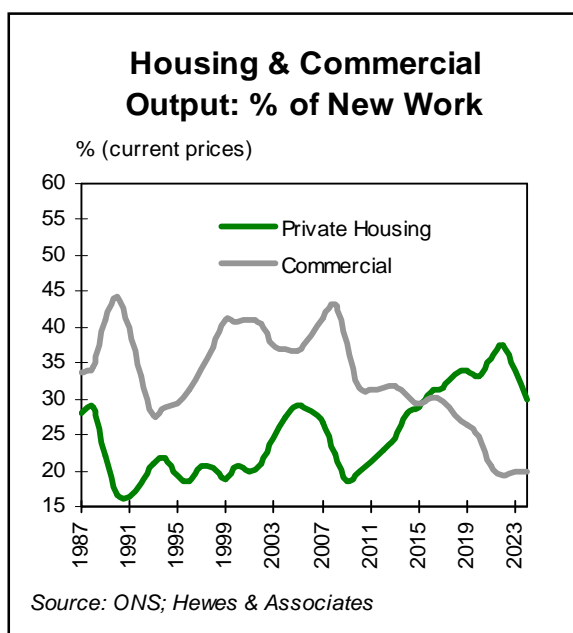
After increasing by 2% in 2023, the outlook for construction is one of weakness, with volumes forecast to fall by roughly 5% in 2024, and 3% in 2025. Near stability is forecast for 2026.

The rise in work reported for 2023 was due entirely to repair and maintenance, which ONS data shows as increasing by over 8%. Meanwhile, new work volumes fell by 2% in 2023, and associated with that, new work orders declined by 17% in 2023, the steepest decline since the financial crisis.

Much of the recent weakness in orders relates to raised borrowing costs, and in particular their impact on the housing market. Private housing orders and starts have fallen steeply since 2022, and this weakening is a problem for construction as since 2013 industry growth has been dependent upon private housing. For instance, private housing accounted for almost 80% of new work growth over the years 2013-2022. With housing depressed, the industry is thus lacking its major demand prop. Future housing demand depends upon borrowing costs, and on that note we expect an easing of base rates to around 4% - 4.5% over the medium-term.

Construction funded by the public sector faces a difficult few years given constrained finances. The most recent OBR forecasts outline broadly flat public sector investment to 2028/2029 (current prices), which suggests falling construction volumes.

A general election will soon be upon us, and the result of that is highly likely to be a change in Government. That prompts the question – what will this mean for construction? The Labour Party is talking about fiscal responsibility, and it does seem that if elected it will, over the short-term at least, follow the spending patterns outlined by the current government. It is beyond the short-term that politically inspired change will likely take place, as was the case when the last Labour government took office in 1997.



### HEWES & ASSOCIATES