

CONSTRUCTION OUTLOOK: JANUARY 2025

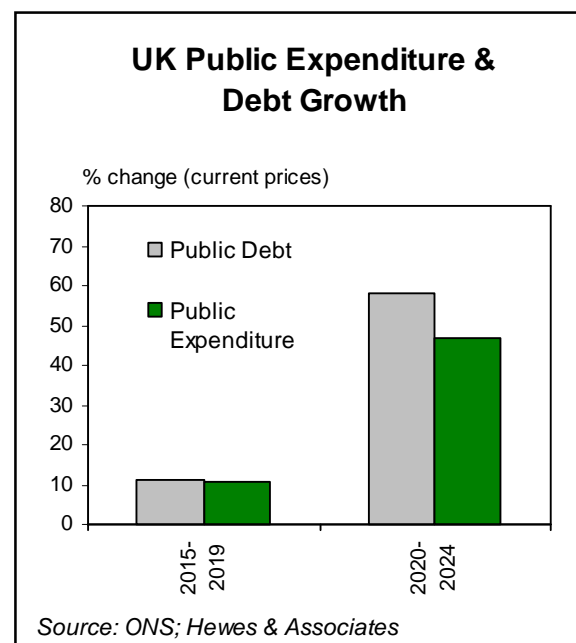
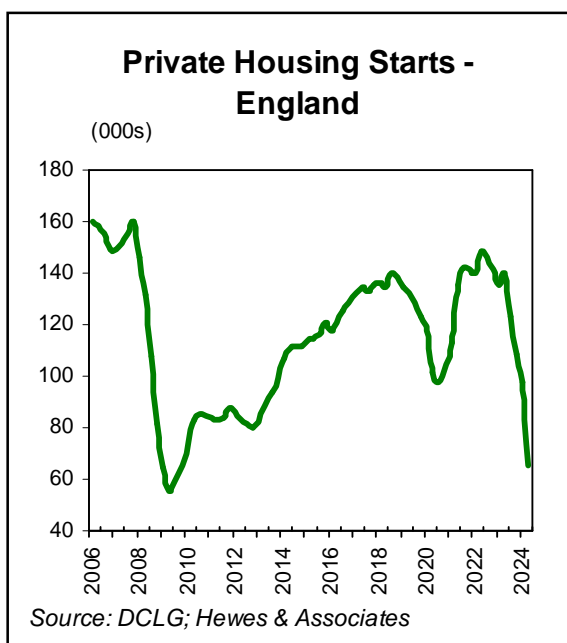
Economic activity has slowed since mid-2024, with near zero growth recorded over that time. Of more concern is a persistent weakness in GDP growth per capita, something the UK economy no longer seems able to deliver. Meanwhile, and partly due to weak per-capita GDP growth, the public sector is commanding a larger share of economic activity, and set to do so over the next few years. We expect both these issue to dominate, and influence construction over the remainder of this decade.

After falling marginally in 2024, we expect the volume of construction output to fall by close to 3% in 2025, and around 2% in 2026. A modest improvement is forecast for 2027. New work order volumes fell by 21% in 2023, and by a lesser 6% over the twelve months to September 2024. Much of the recent weakness in orders relates to a sharp and persistent decline in private housing orders, down by 9% in 2022, 19% in 2023, and 12% over the twelve months to September 2024. Private housing starts are presently around 50% below 2021-2022 numbers.

As noted in our earlier forecasts, the Government's 1.5 million homes plan seems to forget that there is more to housebuilding than planning: housing development is a function of demand as well as supply, and if builders cannot sell, they will not build.

Any positive effect of the October 2024 Budget, in terms of investment, is viewed as being modest over the short term, and compromised by reduced private sector activity associated with raised taxes.

Infrastructure is back in the news with the Government keen to increase investment via an easing of planning rules. However, at the same time there is downwards pressure on investment across the public realm due to the UK's fiscal problems, while for some projects, such as Sizewell C, the issue is not planning, but funding. On a positive note water investment is set to rise sharply to 2030.



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