



ECONOMICS



Global Construction Monitor

Q1 2025

Responses were gathered in conjunction with the following organisations:



Canadian Institute of
Quantity Surveyors

Institut canadien des
économistes en construction



PICQS



AACE
INTERNATIONAL

ECONOMICS

Global construction activity still expected to rise although trade tensions appear to be curtailing optimism

- Construction Sentiment Index turns less upbeat in Q1
- Twelve-month workload expectations, while still positive, have been trimmed across all sectors although infrastructure appears more resilient
- APAC remains the region with the most challenging backdrop, while MEA continues to see strong growth

The results of the Q1 2025 RICS Global Construction Monitor point to decelerating growth across the industry, with trade tensions seemingly dampening sentiment (at least to a certain extent) in some areas. Nevertheless, twelve-month expectations for workloads are still positive across all sectors at the worldwide aggregate level, even if these have been tempered somewhat over the latest survey period.

Construction Sentiment Index (CSI) moderates in Q1

From a global perspective, the headline CSI posted a reading of +9 this quarter, down from +17 previously. As such, this signals a slight softening in momentum, albeit the overall picture remains modestly positive for the time being. When disaggregated by broad world region (Chart 1), the CSI deteriorated noticeably across APAC, coming in at -5 compared to +11 last quarter. In fact, this marks the weakest reading for the region since Q3 2020. Elsewhere, the CSI also dipped across the Americas, although the Q1 figure of +23 (down from +35 in Q4) remains in expansionary territory nonetheless. Alongside this, the CSI improved slightly across Europe in Q1, returning a figure of +11 compared to +6 previously. Despite this, the latest feedback for Europe remains a little more cautious relative to some other parts of the world. Meanwhile,

at +31, MEA exhibits the strongest CSI reading on a global comparison, indicative of further solid growth in output across the region's construction industry.

Drilling into the country level feedback, Chart 2 shows the reported trends in headline construction workloads during Q1 across each nation tracked in the monitor. Displaying the strongest current momentum, both the UAE and Saudi Arabia continue to deliver robust growth in activity, with each sub-sector seeing a solid uplift. Similarly, India, Sri Lanka and Spain are the top performers within their respective regions, as respondents cite decent growth in activity across all sectors.

Elsewhere, although the feedback remains clearly positive for the United States, the pace of growth (in net balance terms) has cooled of late, with private non-residential and infrastructure seeing modestly softer momentum. Interestingly, the results across Canada are more noticeably weaker than in the previous iteration of the survey, as the headline workloads net balance slipped to -10% from +11% beforehand. Consequently, this represents the first outright negative reading across the country since the first half of 2020 (very likely linked to concerns over USA trade policy). Alongside this, China and Hong Kong continue to return particularly downbeat results, characterised by falling workloads across all

Chart 1 - Construction Sentiment Index by Region

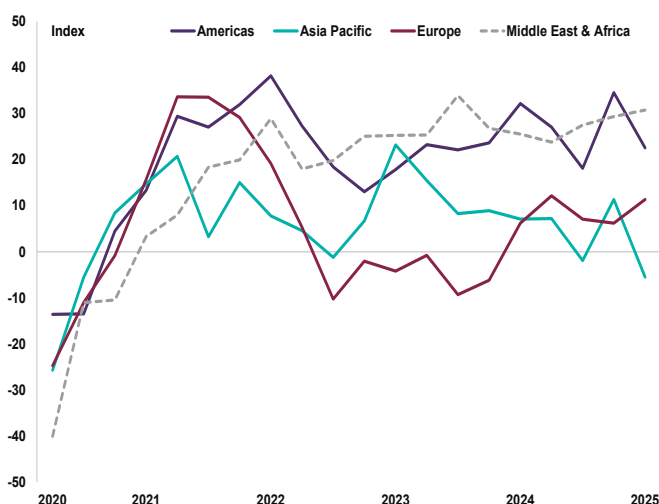
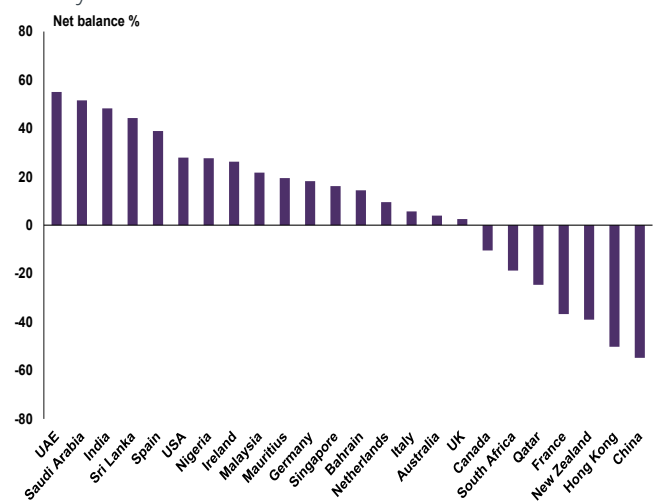


Chart 2 - Current Trend in Headline Workloads by Country



sectors. Moreover, across mainland China, 90% of respondents report that insufficient demand is holding back the market (the highest share citing this issue compared to all other nations tracked).

Infrastructure outlook appears more resilient compared to other sectors

Chart 3 depicts twelve-month expectations at the regional level for each sector. Although the latest readings are positive (to a greater or lesser degree) across the board, expectations have been tempered in most cases relative to Q4. Indeed, respective net balances of +15% and +24% of respondents based in the Americas now foresee private residential and non-residential workloads rising. These figures are down from much stronger readings of +41% and +49% beforehand. While the outlook for infrastructure is comparatively more resilient across the region, the net balance did ease from +58% in Q4 to +38% this time.

Similarly, expectations for workloads over the next twelve months were scaled back across APAC, with the latest readings now consistent with only marginal growth within the private residential and non-residential sectors. That said, once again, infrastructure activity is still anticipated to see a reasonably solid pick-up across the region. For Europe meanwhile, expectations moved further into positive territory across infrastructure (net balance +40% vs +24% previously), led by an especially strong improvement in Germany. Parallel to this, European private residential development activity is also expected to see reasonably solid growth, although the outlook appears flatter across the private commercial sector. Continuing to return the most well-rounded twelve-month projections, all sectors are expected to see strong growth across MEA in aggregate, with the Q1 net balances edging higher from already firmly positive readings previously.

Industry employment levels expected to rise in most nations over the year ahead

Chart 6 on the next page shows the recent trend in headcounts along with expectations for industry employment levels over the next twelve months. In most cases, the outlook for headcounts is positive, although there are a few notable exceptions.

Chart 3 - Twelve-month expectations by sector

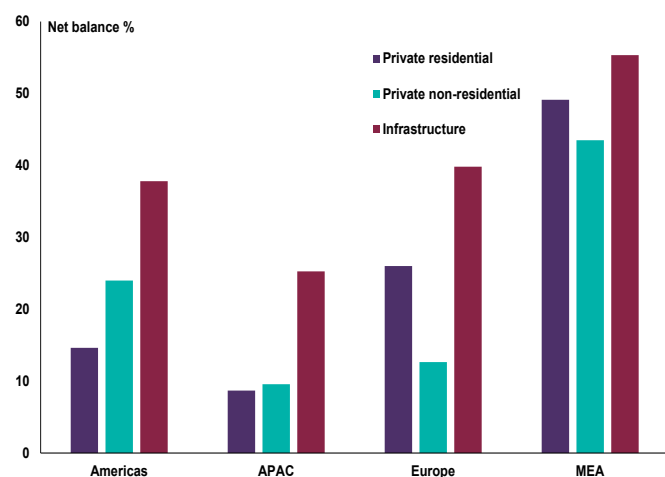
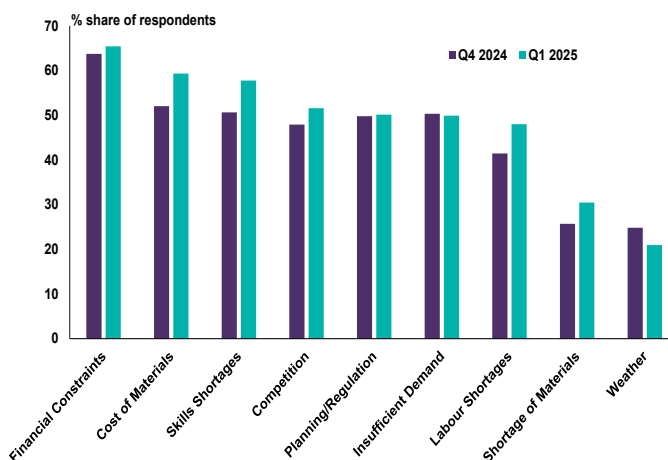


Chart 4 - Factors Limiting Construction Activity



Unsurprisingly given the tone to much of the data across the nation, construction headcounts are expected to fall in mainland China over the year ahead, while expectations are similarly downbeat in Hong Kong. On the same basis, nations such as France, the Netherlands, Canada, South Africa, New Zealand and Malaysia exhibit a broadly flat assessment for industry employment prospects in the year to come. At the stronger end of the scale, respondents based across the UAE, Saudi Arabia and India are firmly of the view that construction employment will rise in the next twelve months, supported by a robust outlook for activity in each case.

Potential signs of material cost inflation pressures intensifying again

Chart 4 shows the proportion of respondents globally that are highlighting specific factors to be market impediments. In keeping with the results over the past several quarters, financial constraints remain the most widely referenced obstacle, with the share of contributors flagging this issue standing at 65% (compared 64% in Q4). Not helping in this regard, the credit conditions indicator, tracking changes over the past three months, posted a net balance of -13% in Q1. As such, this points to a tightening in the lending climate over the quarter.

Looking at some of the other factors thought to be negatively impacting market activity, 59% of contributors globally feel that the cost of materials is acting as a constraint (up from 52% last time). Moreover, projections for material cost inflation over the year ahead were revised higher in the latest results, with respondents now pencilling in a 5.2% rise compared to 4.2% last quarter. Of some concern, the Q1 material cost projections are the most elevated since Q3 2023. Alongside this, 58% of survey participants mention that skills shortage are weighing on activity (an increase on 51% taking this view last time). When disaggregated, the challenge around access to skilled professionals is especially prominent in the United States, where 83% of respondents report this to be an issue. Similarly, over three-quarters of contributors in India, Ireland, Mauritius, the Netherlands and Nigeria reference inadequate access to skilled workers.

Chart 5 - Global twelve-month cost projections

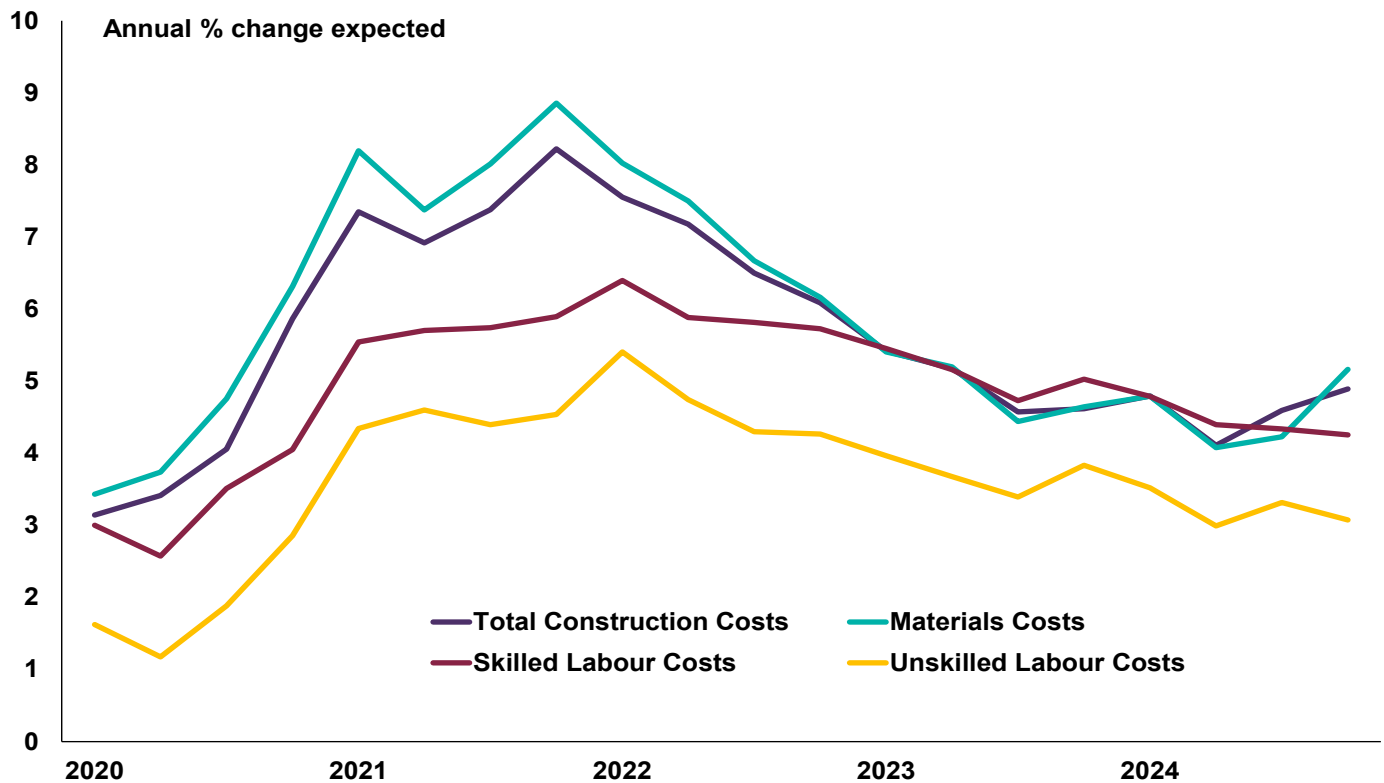


Chart 6 - Current and expected trends in industry headcount by country



APAC: Sentiment weakens across the region in aggregate but India appears resilient to wider global macro concerns

The latest GCM results across APAC are consistent with a further setback for the region (when viewed in aggregate), evidenced by a reported decline in construction workloads and a less upbeat view from respondents regarding the outlook. That said, the picture remains varied across different parts of the region, with India in particular continuing to post some of the strongest results on a global comparison.

China leads a further decline in the headline Construction Sentiment Index

At the APAC regional level, the CSI posted a reading of -5 in Q1, falling back below zero following a brief rebound to +11 in the previous iteration of the survey. What's more, the Q1 figure is the most downbeat reading for this metric since 2020. Looking into some of the separate components of the index, workloads reportedly fell across the private residential sector (net balance -7%) as well as in the private non-residential sphere (net balance -22%). Alongside this, infrastructure activity was reportedly more or less flat (net balance -2%), but this is down noticeably from a positive reading of +20% beforehand.

Turning to the country level data (displayed in Chart 1), much of the deterioration seen at the APAC-wide level was driven by China. Indeed, the CSI slipped to -45 across China in Q1, marking the weakest return on record for the headline gauge. Within this, all sectors experienced a fall in workloads over the latest survey period. Similarly, Hong Kong also registered a particularly weak CSI reading, albeit this was unchanged from last time, at -49. Elsewhere, New Zealand was the only other APAC market to post an outright negative figure for the CSI, with the Q1 reading of -9 marginally weaker than -7 in Q4. That said, this measure remains significantly less downbeat than throughout the middle part of last year, when it hit -42. Bucking the broader regional trend however, India and Sri Lanka are seeing much stronger momentum as indicated by respective CSI readings of +47 and +44 (both of which are improved compared to Q4). Importantly, the latest survey feedback across these nations is signalling both a strong current picture along with a robust outlook.

Demand picture remains varied at a country level

Chart 2 displays the new business enquiries series, disaggregated by country, with respondents across India and Sri Lanka reporting an increase in such activity. Conversely, all other markets saw either a flat or negative trend in new business interest, as China and Hong Kong continue to exhibit particularly weak demand across the sector. In keeping with this, 90% of respondents in China cite insufficient demand to be an impediment currently.

Looking at respondents' expectations for the coming twelve-months (chart 3), at a regional level, the infrastructure sector continues to display the strongest outlook relative to the other sectors tracked, even if sentiment has been pared back somewhat this quarter. Meanwhile, expectations are flatter across the private residential and non-residential categories, albeit marginal growth is anticipated. Alongside this, industry headcounts are now expected to see little change in the year to come, although this has been revised down from a slightly positive assessment last quarter. Unsurprisingly given the tone to much of the Q1 data, India and Sri Lanka display much stronger expectations for employment than the regional averages. Lastly, APAC-wide profit margins are anticipated to come under downward pressure, with sentiment towards the outlook deteriorating during the opening stretch of this year.

Chart 1 - Construction Sentiment Index



Chart 2 - New Business Enquiries by Country

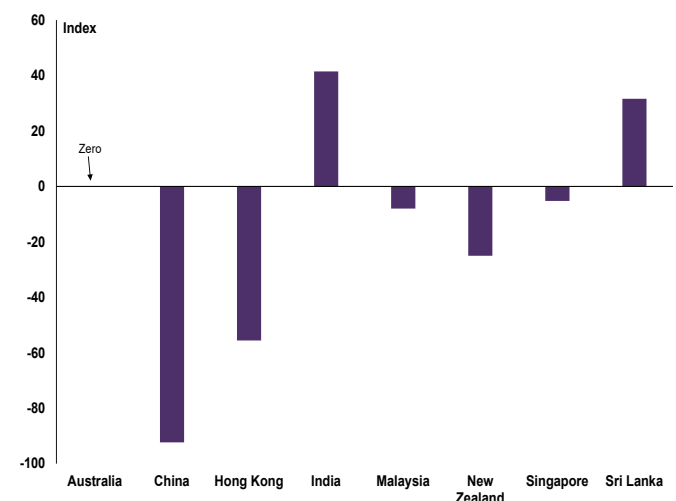
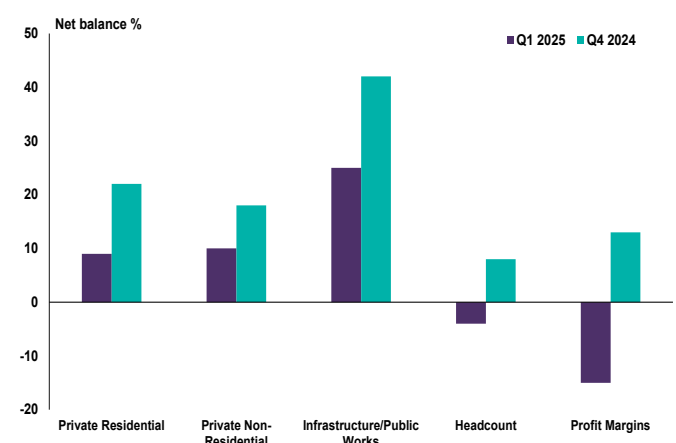


Chart 3 - Twelve-month Expectations



Europe: Signs of improvement evident with infrastructure activity increasingly viewed as the driver of growth

The Q1 2025 Global Construction Monitor feedback across Europe is modestly improved compared to the previous results, with both current conditions and twelve-month expectations picking up to some degree. That said, the picture remains divergent, both at the individual sector and country levels.

Construction Sentiment Index turns slightly more positive

At the regional level, the Construction Sentiment Index registered a reading of +11 in Q1, a modest improvement on the figure of +6 posted last time. When viewed at the country level (shown in Chart 1), there remains a high degree of variability across different parts of the region. At the stronger end of the scale, Spain continues to return strong headline results, even if the Q1 CSI reading of +46 is a little less buoyant compared to the Q4 feedback. Alongside this, Germany recorded a sharp turnaround in its CSI reading, with the Q1 figure climbing to +38. Alongside this, the CSI sits in positive territory across Ireland the Netherlands and Italy, albeit only marginally so in some cases. Meanwhile, the UK continues to demonstrate a more or less flat headline picture. Lagging other markets across the continent, the CSI came in at -35 for France, marking the weakest reading since the survey's inception in 2020 (with sentiment adversely affected by political uncertainty across the nation of late).

Infrastructure remains the strongest performing sector

When looking at recent trends in construction workloads at a sector level, a net balance of +22% of respondents across Europe in aggregate cited a rise in infrastructure activity during Q1 (up from +17% last quarter). Within this, the energy and ICT sub-sectors saw the strongest growth (in net balance terms), with transport also seeing a modest expansion. Meanwhile, the picture was much flatter across the remaining categories, as demonstrated in Chart 2. From a country perspective, respondents based in Germany, Ireland and Italy all reported particularly robust growth in infrastructure workloads over the quarter.

With respect to the private residential sector, a regional aggregate net balance of +5% of contributors noted an increase in workloads during Q1. Although this points to only a very mild pick-up, it does represent the best reading for this metric since 2022. At the country level, private sector residential development activity is rising most firmly in Spain, Ireland and Italy, while it is reportedly contracting in France. All other European nations tracked display a flat to marginally positive trend meanwhile. Turning to private non-residential/commercial, the latest regional net balance across the sector remained at -3% for a second consecutive quarter. As such, this is indicative of a largely flat trend. The only real exception to this is Spain, where respondents continue to cite an altogether stronger trend across this sector.

Several aspects of the outlook show signs of improvement

In terms of workload expectations for the coming year, all sectors display a positive assessment of the outlook (from a aggregate regional view), with infrastructure receiving a noticeable upgrade in the Q1 results. Alongside this, industry headcounts are also expected to rise according to a net balance of +15% of respondents (representing the best reading for this measure over the past three quarters). On a somewhat more cautious note, sentiment towards the outlook for profit margins slipped back into negative territory (net balance -7%), suggesting margins may come under some renewed pressure in the year ahead.

Chart 1 - Construction Sentiment Index by Country



Chart 2 - Infrastructure Workloads by Sub-Sector

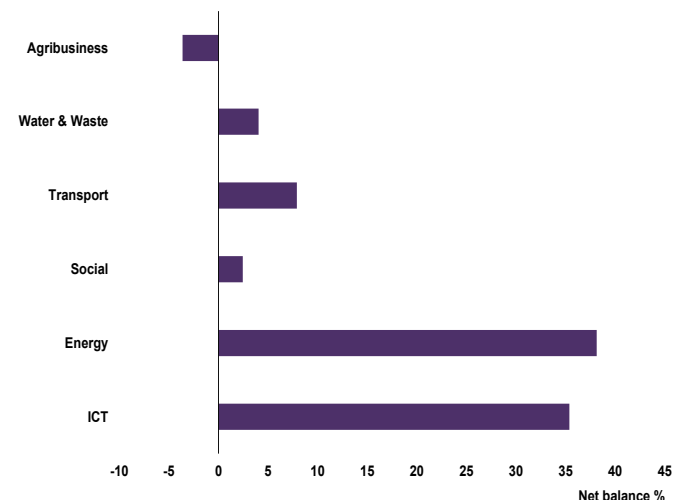
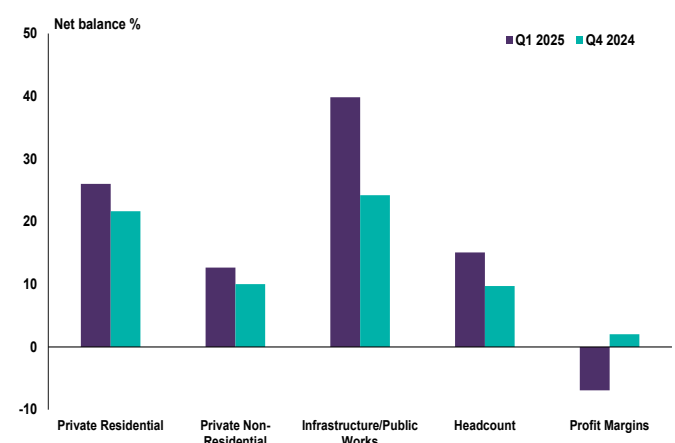


Chart 3 - Twelve-month Expectations



Middle East and Africa: Strong growth in construction output continues with twelve-month outlook similarly solid

Feedback to the Q1 RICS Construction Monitor from the Middle East and Africa is largely in-line with the results captured in recent quarters. As such, the latest data points to a continued strong performance across the market at an aggregate level, with respondents expecting further robust growth in workloads over the coming year. Nevertheless, financial constraints continue to hinder the industry, while a potential escalation in global trade tensions poses a downside risk.

Construction Sentiment Index remains elevated with a slight improvement observed in Q1

At the MEA wide level, the Construction Sentiment Index (CSI) recorded a reading of +31 over the latest survey period, slightly up from last quarter's +29. Significantly, the strong Q1 return widens the gap between the region's performance and the global average (global CSI softened to +9 from +17 in Q1).

Breaking the headline figure down by country (Chart 1) reveals a slight shift in regional dynamics, with the UAE overtaking Saudi Arabia to exhibit the most upbeat CSI reading of +54 (relative to Saudi Arabia's +46). While the narrative across Saudi Arabia remains upbeat, the CSI has now eased slightly in each of the past five quarters. Elsewhere in the region, Qatar and South Africa have slipped back into negative territory, with the CSI moving to -14 from +2 for the former and from +29 to -7 across the latter. Conversely, both Mauritius and Nigeria returned stronger CSI figures compared to Q4, with both nations posting readings of +42.

Current workloads and twelve-month expectations remain solid across all sectors

Chart 2 plots the current trend across various construction metrics alongside their comparable twelve-month expectations. Seeing a particularly robust trend in Q1, infrastructure remains the standout performer, with a net balance of +39% of respondents reporting a rise in workloads this quarter. Meanwhile, both the private residential and private non-residential sectors posted equivalent net balances of +18%, with the latter demonstrating a rise from last quarter's +8% and the former experiencing a slight moderation from +25%. When looking ahead to the coming twelve months, all three sectors are anticipated to see a strong uplift in workloads, with private residential output seen rising by a net balance of +49% of contributors. On the same basis, infrastructure expectations are stronger still, with the net balance coming in at +55%. Lastly, the figure for private non-residential is also solid at +43%. Interestingly, whilst profit margins reportedly narrowed in Q1, evidenced by a negative net balance -13%, expectations remain more positive with a recorded net balance of +24%.

Turning attention to the barriers faced by firms across the industry (Chart 3), financial constraints remain the most widely referenced challenge within the region, cited by 68% of respondents. Amidst ongoing concerns over a potential trade war, 62% of participants identified rising material costs as a key impediment to activity, up 11 percentage points from the previous quarter. This heightened volatility may also explain the increase in demand-side issues, with the share reporting insufficient demand to be a negative factor rising to 58%, compared to 49% in the prior quarter.

Chart 1 - Construction Sentiment Index by Country



Chart 2 - Current conditons/twelve-month expectations

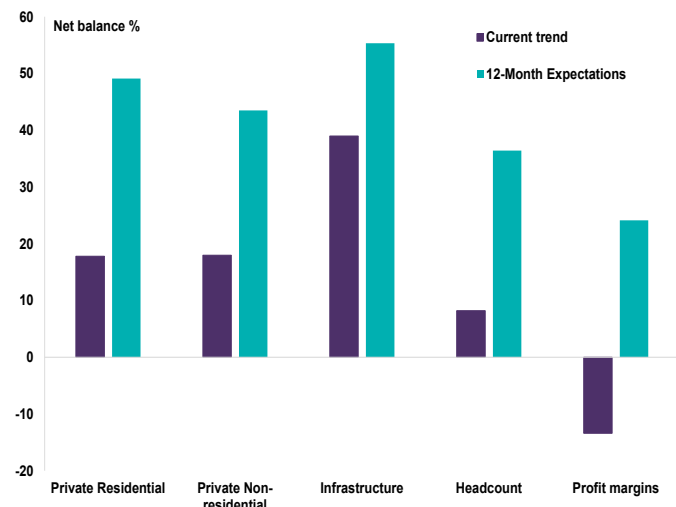
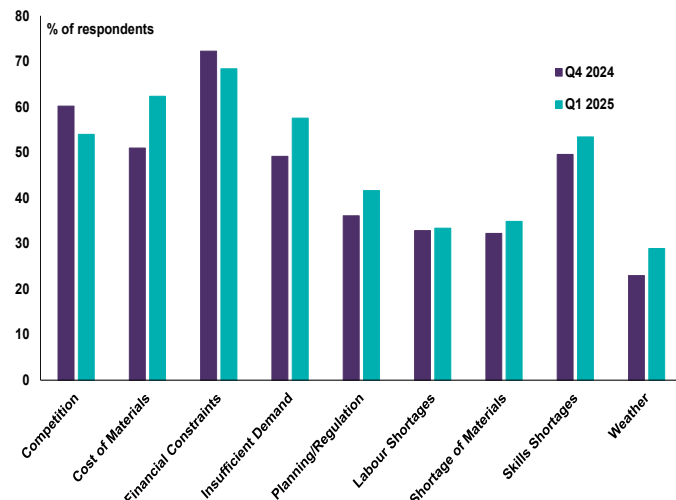


Chart 3 - Factors Holding Back Activity



North America: Construction sentiment remains resilient for now in the US but begins to sour in Canada

The results for North America for the Q1 2025 RICS Construction Monitor (conducted in conjunction with CIQS in Canada and AACE in the USA) point towards a more mixed picture than that pertaining to the final period of last year. Significantly, although the headline reading for the Construction Sentiment Index (CSI) in the USA remains solidly in positive territory (albeit down from Q4 number) the feedback from Canada is rather more cautious. Chart 1 shows that in the case of the latter, the CSI actually moved very marginally negative for the first time since the second quarter of 2022.

Concerns around tariffs and macro uncertainty grows

A striking feature of the Q1 results is the share of respondents both in Canada and the USA who are now drawing attention to the increasing cost of materials on the back of the higher level of tariffs as a factor impacting activity. In the case of the former, this jumped from 60% to 69% (just 50% in Q3 of last year) while in the USA, it leapt from 44% to 66%. Chart 2 shows that in Canada this is now the most cited challenge identified by contributors taking over from skill shortages. Meanwhile in the USA, it remains labour related issues that are highlighted most frequently. Alongside this, the adverse response in financial markets to some of the recent policy announcements has led to renewed concerns about the credit environment. In both Canada and the USA, the credit picture was previously expected to improve at both the 3 and 12 month time horizons, however, this picture has now reversed with the longer term net balance read shifting from +26% to -9% in the former and +48% to -9% in the latter.

Skill shortages still an issue

An ongoing theme in the feedback to the GCM from North America is the broad based challenge around recruitment in the construction industry. In both countries, it is the area of skilled trades that continue to represent the biggest problem. However, it is noteworthy that more than 50% of respondents also identified quantity surveying type skills as difficult to source with feedback from USA also pointing to a shortfall in project managers. These trends are still visible in Canada even through the current headcount indicator turned negative in net balance terms (-8%) for the first time since the tail-end of 2020. Looking forward, concerns about the macro environment are clearly influencing recruitment plans with the 12 months expectations indicator slipping to +6% from +26% previously; the comparable figures for the USA are +51% down from +62%.

Industry output expected to grow more modestly

Chart 3 tracks the expectation for construction workloads by sector in both Canada and the USA. Unsurprisingly, given the lower readings for new business enquiries this quarter (net balance of -5% from +18% in Canada and +13% from +42% in the USA), these projections are pointing to more modest output growth. Reflecting what has already been noted about the relative mood music in the two countries, the Canada numbers are a little more downbeat. Significantly, in both cases, infrastructure is viewed as likely to show a more resilient trend. Meanwhile, the insight from respondents around the profits outlook tells a broadly similar story. For Canada, a net balance of +13% of contributors see profit margins declining over the next year. As far as the USA is concerned, margins are still expected to improve albeit less so than previously.

Chart 1 - Construction Sentiment Index

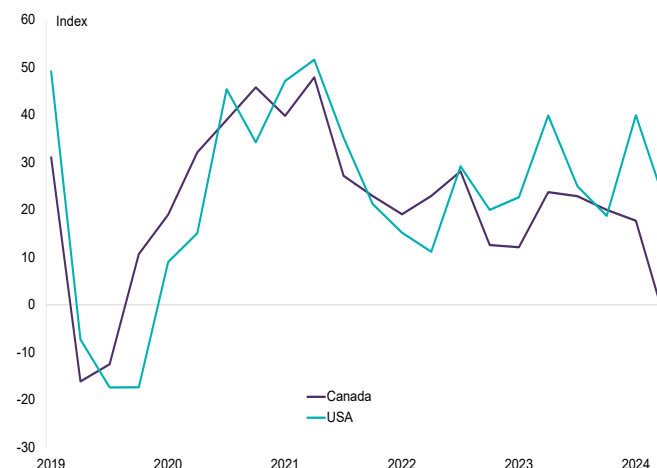


Chart 2 - Key Factors Holding Back Activity

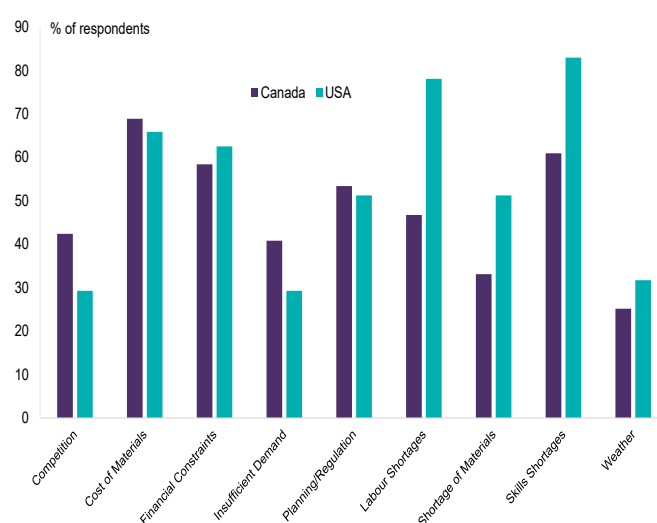


Chart 3 - 12 Month Workload Expectations



Global Construction Monitor

RICS' Global Construction Monitor is a quarterly guide to the trends in the construction and infrastructure markets. The report is available from the RICS website www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the rural land market.

Methodology

Questionnaires were sent out on 10 March 2025 with responses received until 21 April 2025. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 2363 company responses were received globally.

Net balance = Proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100. A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline.

RICS Construction Activity Index is constructed by taking an unweighted average of current and 12-month expectations of four series: residential workloads, non-residential workloads, infrastructure workloads and profit margins. Global and regional series are weighted using the World Bank's GDP PPP (2017 constant prices) data series. Current responses were weighted using the prior years GDP (e.g. the 2020 responses were weighted using 2019 GDP data). Where responses are not sufficient to form a national-level sample, they are binned together to fill in any gaps in regional coverage.

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