RICS®

Q1 2022: Global Construction Monitor

Global construction activity continues to rise across all sectors although supply chain issues remain acute

- **Construction Activity Index improves across the Americas and MEA but eases in APAC and Europe**
- **91% of respondents single out material costs to be impeding construction activity**
- **Workloads still seen rising in all sectors, albeit sentiment moderates slightly outside of infrastructure**

The Q1 2022 RICS Global Construction Monitor (GCM) results show overall activity continues to rise at a steady pace, while the outlook for workloads across the sectors remains positive over the year ahead. Nevertheless, the pace of growth looks set to ease somewhat at the global level over the next twelve months, with rising material costs increasingly cited as a factor weighing on market activity. Indeed, 91% of respondents globally reported that the cost of materials is an issue, up from an already significant 86% of contributors holding this view previously.

Construction Activity Index remains comfortably positive at a global level

During Q1, the headline Construction Activity Index (CAI) posted a reading of +20 at the worldwide aggregate level, similar to a figure of +23 seen in Q4. As such, this metric remains consistent with another solid quarterly pick-up in output. Nevertheless, when disaggregated down to the regional level, there is some variation visible in the latest results. Illustrated in Chart 1, the Americas now displays the firmest CAI reading on a global comparison, with the latest figure rising to +38 from +32 beforehand. Likewise, the Middle East and Africa also recorded a noticeable uplift in the headline CAI reading during Q1, posting a value of +29 compared to +20 in the previous iteration of the Monitor.

Meanwhile, the CAI softened slightly in Europe, coming in at +18 from +29 last quarter. That said, despite the easing in momentum, respondents continue to cite a rise in workloads across all sectors (just at a more moderate pace). At the weaker end of the scale, APAC posted a CAI reading of +8 in Q1, down from +15 in Q4, with this dip largely attributable to conditions deteriorating in China over quarter amid a resurgence in Covid cases and associated restrictions. That said, results are mixed across different countries within the region, as feedback appears relatively upbeat in areas such as Australia, New Zealand and Singapore.

Drilling into the country level data elsewhere, Saudi Arabia, the United States and Canada stand out as exhibiting amongst the strongest CAI readings in the latest results (displayed in Chart 4 on page 2). With respect to the US and Canada, both of these markets saw an improvement in overall market conditions over the early part of the year, pushing the headline CAI to fresh record highs in each instance (data on these countries goes back to 2019).

Chart 1: Construction Activity Index*

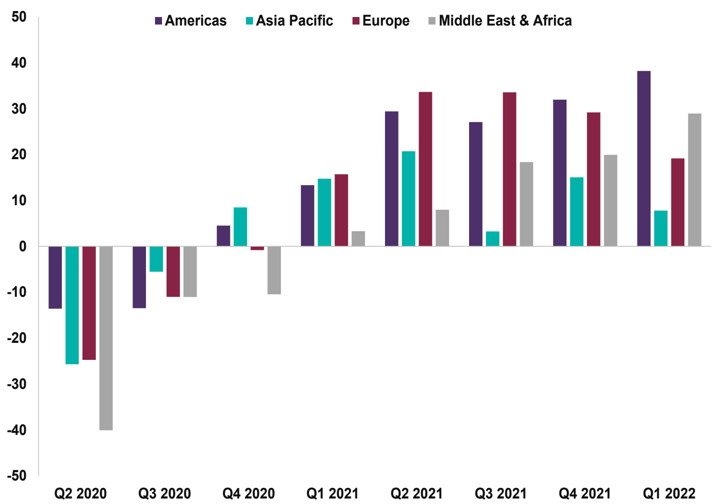
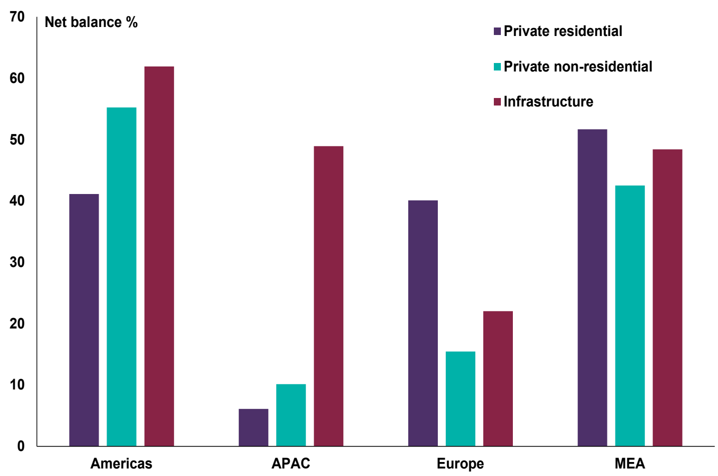


Chart 2: 12-month workload expectations



*The Global Construction Activity Index is a weighted composite measure encompassing variables on current and expected market activity as well as margin pressures.

Survey responses were supported by the following organisations:

Canadian Institute of Quantity Surveyors | Institut canadien des économistes en construction

PICQS

Consejo General de la Arquitectura Técnica de España

Infrastructure remains the area with the strongest growth outlook

With respect to twelve-month expectations for workloads at the sector level, respondents remain most upbeat (in net balance terms) on the outlook for infrastructure at the global level and across most world regions (Chart 2). In particular, the Americas displays an especially robust net balance of contributors anticipating a pick-up in infrastructure activity in the year to come, which rose to +62% from +53% last time. Within this, on the back of an acceleration in infrastructure output growth in Q1, respondents across the United States raised their projections across the sector, with a net balance of +80% of survey participants envisaging a further increase in infrastructure activity over the year ahead.

Meanwhile, expectations for infrastructure within Europe remain a little more modest in comparison. Leading the way across the continent however, respondents continue to anticipate strong growth in the private residential sector, with respondents in Germany, France, the Netherlands and the UK all expecting a solid uplift in housebuilding over the next twelve months.

With respect to construction industry employment trends going forward, respondents are expecting an increase in headcounts across the vast majority of nations tracked by the Monitor (shown in Chart 6 on page 3). In keeping with the strength visible across other aspects of the results, the United States and Saudi Arabia are the frontrunners regarding employment growth expectations, with the former seeing a noticeable upgrading of the outlook within the Q1 feedback.

An already challenging inflationary backdrop continues to intensity

Notwithstanding the generally solid nature of workload expectations across the industry (depicted at the country level in Chart 5), inflationary pressure continue to cause problems. Exacerbated by recent geopolitical events, 92% of respondents cited a rise in the cost of materials during Q1 at the global level, the highest share on record. Moreover, 91% report that elevated material costs are currently an impediment for market activity, an increase on 86% who were of this opinion last quarter. Aside from costs, the availability of materials is also a significant challenge, highlighted by 71% of respondents at the global level. In addition, financial constraints as well as skills/labour shortages are singled out by close to two-thirds of respondents as factors holding back activity (Chart 3).

Projections for construction costs move higher once again

Marking an all-time high for the series, total construction costs are projected to rise by a little over 8% during the next twelve months. Unsurprisingly, material costs are expected to see the strongest rates of inflation across all other inputs. Alongside this, respondents forecast a 6% rise in skilled labour costs, while unskilled labour costs are anticipated to pick-up by just under 5%.

Chart 3: Factors holding back activity

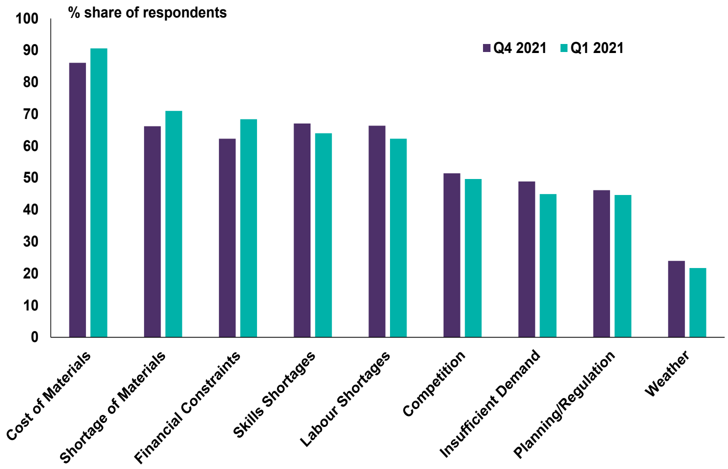


Chart 4: Construction Activity Index by country

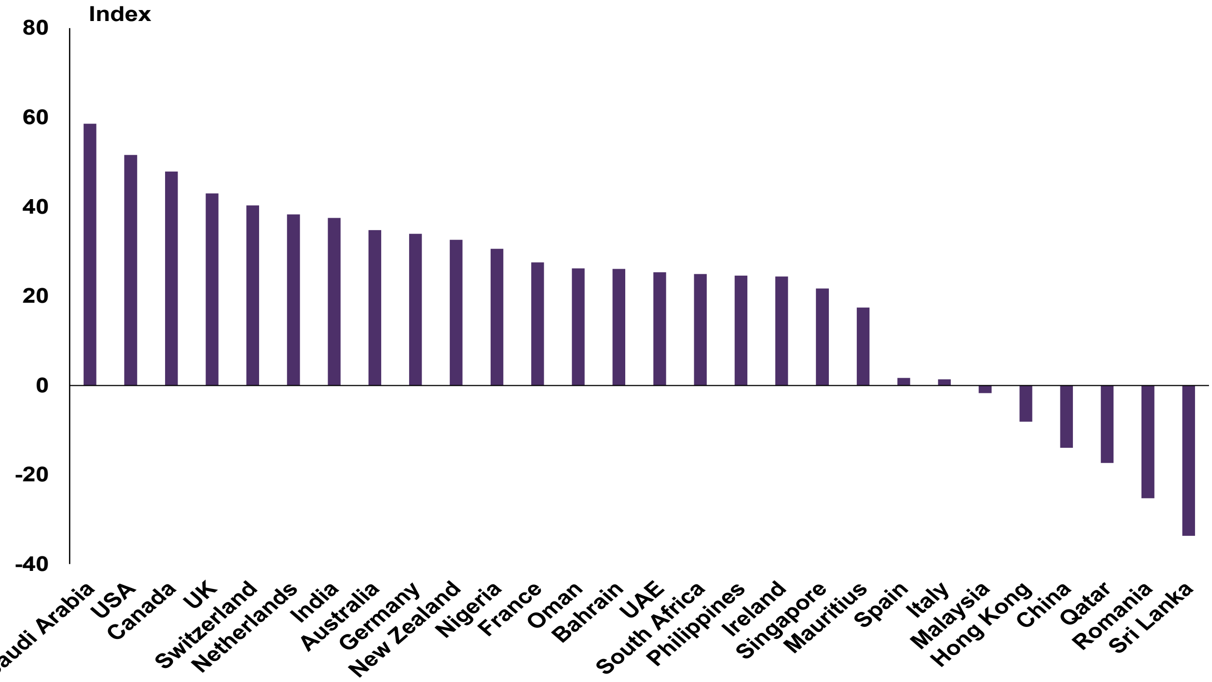


Chart 5: Current and expected workloads

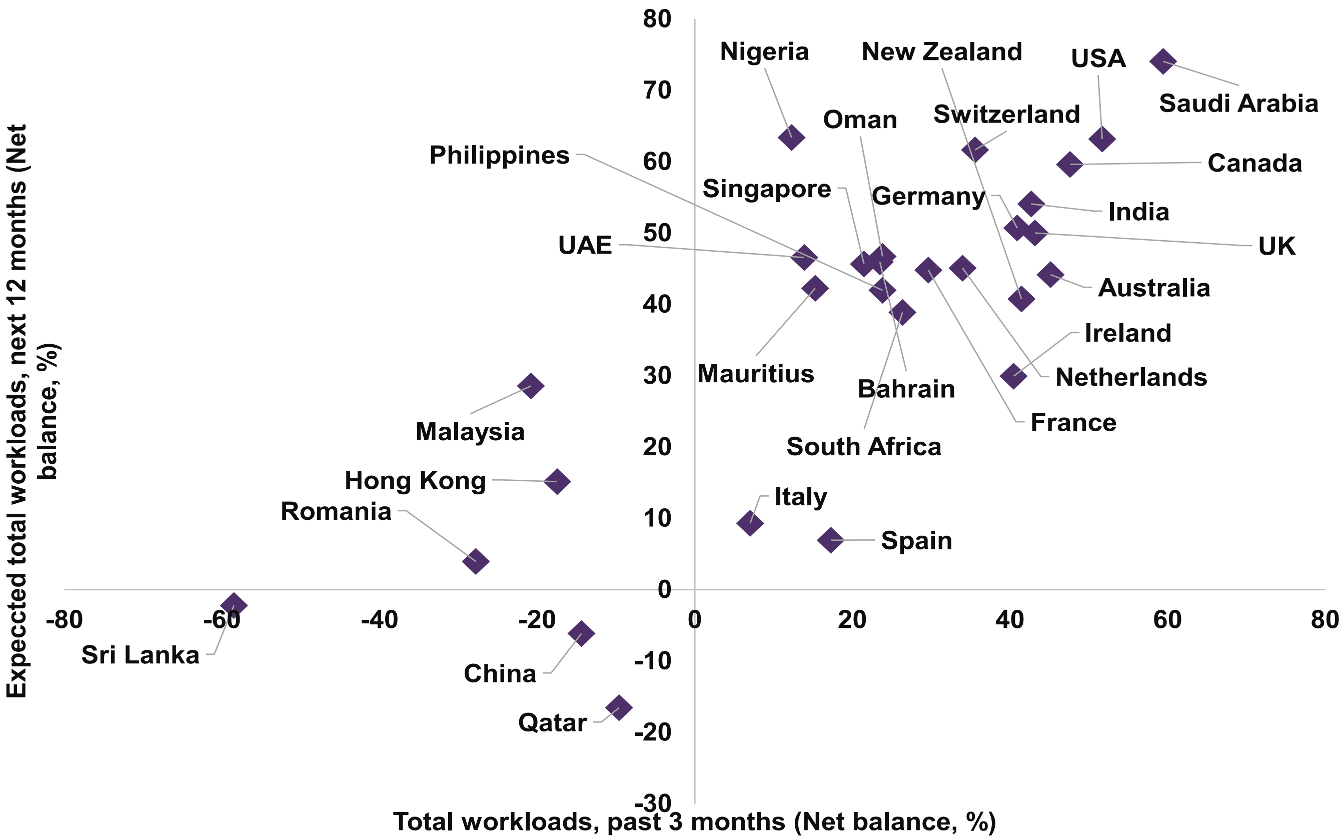
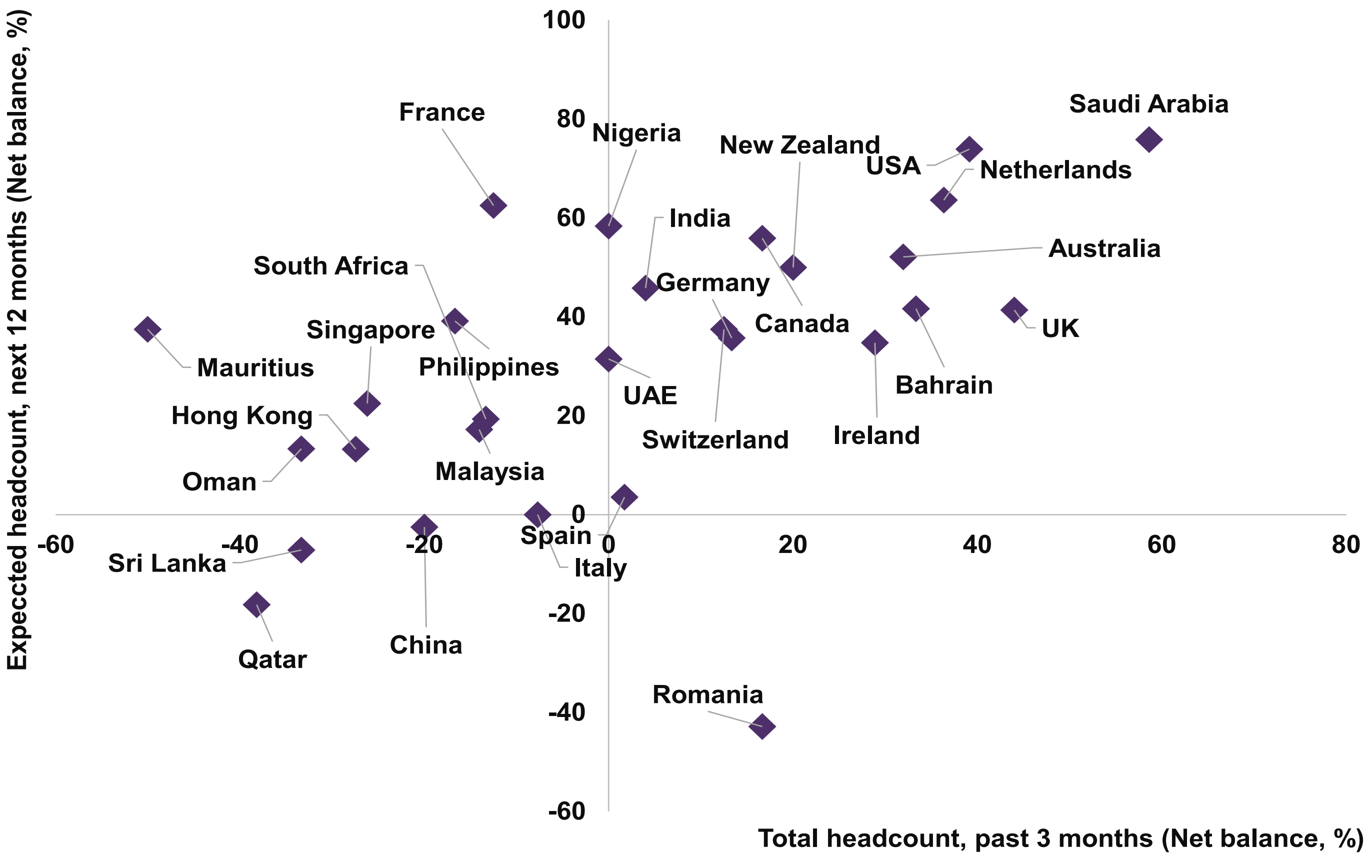


Chart 6: Current and expected headcounts



North America: Strong growth in workloads anticipated despite material and labour challenges

The Q1 RICS Global Construction Monitor shows sentiment continuing to improve in both Canada and the US. Chart 1 tracks the headline Construction Activity Index for both countries (as well as the global picture) since prior to the onset of the Covid pandemic and demonstrates the relative strength of the recovery in North America.

Broadbased uplift in workloads

Current workloads metrics are showing positive trends across all three categories of the industry used in the Monitor. The infrastructure net balance remains the most upbeat with a reading of +76% in the US and +54% for Canada.However, in the former, 50% more respondents are seeing an increase (than a fall) in private non-residential work and for private residential, the respective figure is 29%. Meanwhile, the comparable results for Canada are +38% and +52%.

The generally firm tone to the market is also reflected in a number of other key indicators with the proportion of contributors reporting payment delays continuing to fall and headcounts unsurprisingly moving upwards. Most significantly still, the new business enquiries series are gaining further momentum reaching a net balance of +48% in the US (a series high) and +45% in Canada.

Headwinds continue to be provided by materials and labour

In a very similar set of results to those reported in the final three months of last year, respondents in Canada and the US continue to highlight concerns about both the availability and the cost of building materials. Chart 2 demonstrates the importance of these issues but it also emphasises the concerns being expressed about labour supply and more specifically, skilled labour. Comments from respondents (on page 5) concentrate on these themes. Around three-quarters of respondents in both countries identified the shortages of skilled trades as a critical issue with some two-thirds drawing attention to challenges around the recruitment of quantity surveyors and project managers .

Despite this, there is a strong conviction that the industry will be able to increase headcount over the next year in order to build out the planned developments pipeline. In the case of the US, a net balance of +74% see employment rising over this time horizon compared with +58% previously. The figures for Canada +56% as against +47%.

Activity expectations increasingly upbeat but questions remain over profitability

The well publicised shift in monetary policy from the US Federal Reserve appears at this point to have had little impact on industry projections around the outlook. Chart 3 captures the twelve month view of respondents (in net balance terms) surrounding the outlook for workloads. Unsurprisingly, infrastructure is seen as likely to see the strongest growth although other parts of the industry in both countries are also projected to see firmly positive momentum in workloads.The profits outlook appears a little more clouded. One question asked in the survey is about expectations for profit margins in net balance terms. This metric was strongly positive, +40% in the US and +38% in Canada. However when asked to give point estimates for likely changes in tender prices and construction costs, the views expressed are more challenging with the latter outstripping the former by two to three percentage points. So while the picture around profitability in the sector should improve, there clearly is concern over the impact of further cost increases.

Chart 1: Construction Activity Index

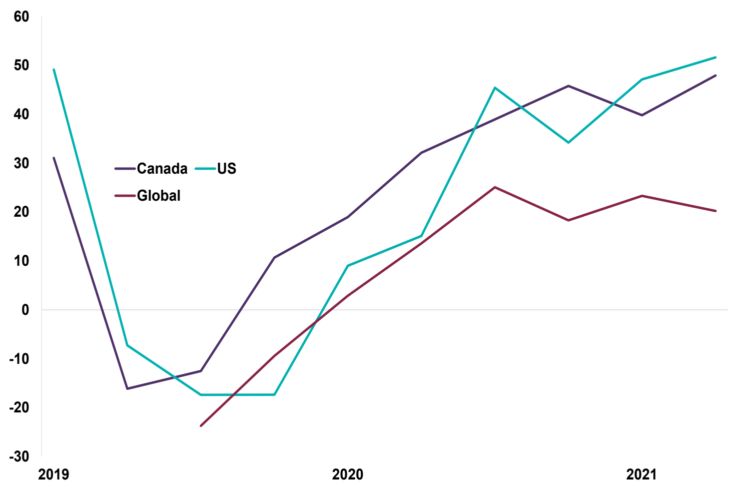


Chart 2: Key factors holding back activity

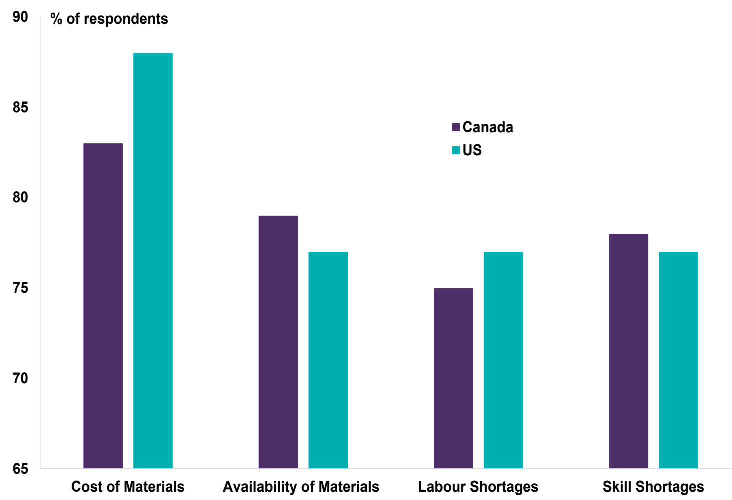
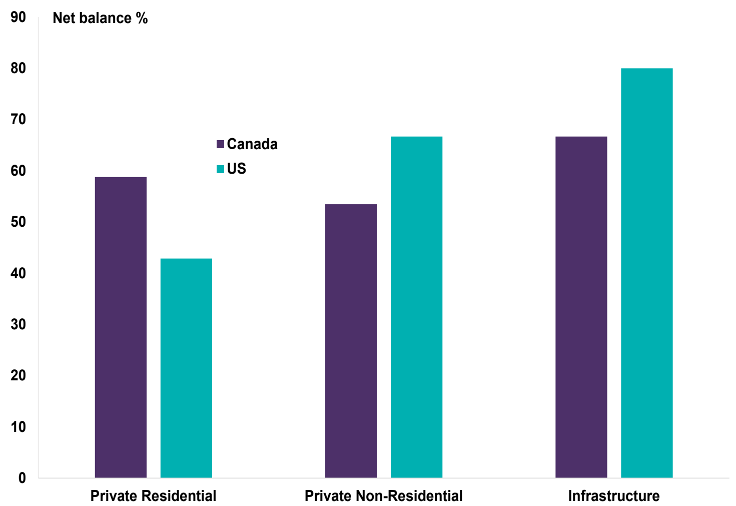


Chart 3: 12-month workload expectations by sector



Regional Comments from Survey Participants in North America

Barbados

Covid 19 Protocols, anticipated fallout from the Russia/Ukraine war - Bridgetown

The delay in getting planning permission and low productivity from the workers - Bridgetown

Canada

Rural nature of Brandon. The population is low and it affects housing demand- Burnaby

Material cost escalation and gas - Burnaby

New building code compliance standards are being implemented and building energy performance codes- Calgary

Supply chain and weather delays have caused delays, which has caused re-sequencing - Calgary

Supply chain issues....typical contract durations are increasing- Calgary

Supply chain, inflation, working from home possibly - Calgary

Lack of sophisticated mechanical/electrical subcontractors - Cambridge

Shipping/supply disruption and availability issues - Dartmouth

Federal governments carbon tax is going to significantly impact the economy - Edmonton

Increase of Gas and Diesel - Edmonton

Oil prices are going to impact construction materials (directly and indirectly) - Edmonton

Restrictions of social distance - Edmonton

Supply chain issues - Edmonton

Significant delays (2-4 months +) in building permit application approvals, site plan approvals - Halifax

World shortage of materials limit ability to complete projects on time, thus holdback not released - Halifax

Local floods and politics caused access problems to the region, delaying deliveries of materials - Kelowna

Market is extremely volatile - Kelowna

Deux facteurs important à savoir la main d'oeuvre qualifiée,le matériel ainsi que les professionnel/ Two important factors, namely the skilled workforce, the equipment and the professionals- Laval

Shortage of labour, skilled and not skilled. Availability of materials / equipment / fixtures - Laval

Supply chain and combustible costs - Mississauga

The unemployment rate decreasing and the economy growing - Mississauga

The market demands are exceeding the current supply, we need people - Oakville

Equipment lead time effect most of the projects - Ottawa

Over heated market and delivery chain - Ottawa

Market inflation, cost of living is up and flow down to salaried employees is slow - Ottawa

Shortage of materials and delays - Quebec

Many industrial plants are in scheduled turnaround this year - Sarnia

Delays in supply chain for materials & purchase of maintenance equipment - St Johns

Over-regulation and/or bureaucratic delays. Government is creating extra costs in housing - Surrey

1. Schedule 2. Material availability 3. Total number of Projects - Toronto

Covid 19 affect materials and labours - Toronto

Escalation on costs is the biggest factor in the industry - Toronto

Increase in material costs, labour shortage - Toronto

Inflation and cost of energy - Toronto

Logistics issues and uncertainty of the market due to the war in Ukraine - Toronto

Material delivery date and cost from outside of our country - Toronto

People not going back to work in office - Toronto

Skill trade shortage - Toronto

Steel joist shortage - Toronto

Supply chain issues continue to be a challenge - Toronto

Supply chain issues for steel, lack of committed pricing by trades due to fluctuating prices - Toronto

The further north we build the constraints increase substantially - Toronto

Type of work requires new skills ....rail. lack of new blood coming into trades..- Toronto

Unpredictable market with respect to labour and materials - Toronto

World events & supply chain - Toronto

Worldwide pandemic has had significant impact on all projects with shortage in materials - Toronto

Fuel cost, current world events, supply chain - Vancouver

Increasing pricing uncertainty reflected in wider tender price variances - Vancouver

Local transportation issues resulting in lack of labour mobility - Vancouver

Municipal approval delays, unreasonable client expectations for consultant fees - Vancouver

Rising gas prices are impacting most companies across the construction industry - Vancouver

Shipping ost and lower productivity due to Covid 19 - Vancouver

Supply Chain, Staff Shortages,Work Load of Subtrades, Climate Change, Ukrain War, Energy Crisis - Vancouver

The post COVID 'resignation' trend has impacted our business. Too many skilled workers are leaving - Vancouver

Unpredictable / unreliable material supply is driving up risk values which are passed on to the owner - Victoria

Skilled trade shortages, uncontrolled material costs - West Kelowna

Inflation and petroleum prices increasing all aspects of construction - Winnipeg

Shortage of trades and materials are a big factor here in Manitoba - Winnipeg

Supply chain issues with very long lead time for material supply - Winnipeg

Cayman Islands

Material cost increases and labour shortages

Increased demand for people with limited supply driving costs up. Work Permit affects too Current pandemic.

Jamaica

Inflation is the primary concern right now - Kingston

In Jamaica there is a shortage of low income housing, Developers opt for larger profit projects - Kingston

Procurement procedure to have contract in place- Kingston

Trinidad and Tobago

COVID-19 Pandemic compounded by Government's failure to foster innovation - Port of Spain

Brain drain - Port of Spain

Shortages in the supply of materials particularly imported materials; statutory lockdowns from Covid - St Augustine

United States

Long lead times on key material on projects, shortage on technical staff and sector of the business - Greenville

Labor shortage is most impactful - Harrisburg

Its difficult to meet the new demand for delayed investment during COVID - Houston

Ukraine keeps getting thrown into the mix re escalation. Gas price increases etc - Los Angeles

Material supply lead times & cost increases - New York

Supply chain delays - New York

Inflation pressure continue to increase -8.0% in US and still rising - Orlando

Massive projects in Hi Tech sector planned - Portland

US federal government fiat deficit spending continues to raise the price of construction materials - Washington DC

Asia Pacific: Infrastructure to remain the key driver of workloads

The headline APAC Construction Activity Index (CAI), which captures momentum across the industry, remained in positive territory in the first quarter of 2022, albeit slightly less so than in the previous three month period. As with the recent feedback provided around developments in the commercial real estate industry (RICS GCPM), sentiment in the construction industry is at face value currently showing significantly divergent patterns across the region, a point highlighted in Chart 1.

So the CAI for India has accelerated between the last two quarters from +29 to +38 and remained relatively firm in Australia, New Zealand, Phillipines and Singapore, it has softed to some extent in both China and Hong Kong (and Sri Lanka). That said, some context is important here; the -14 read for China comes after fairly flat numbers in the second half of 2021 (-1 and -4) and before that, a set of results consistent with strong growth.

Infrastructure remains key area of activity

A theme that emerges across the APAC is the resilience of the infrastructure sector. In terms of current workloads at a region wide level, the net balance of respondents seeing an increase in activity compared to the preceding quarter stands at +32%. This is in contrast to -3% for private non-residential and -5% for private residential. Looking forward over the next twelve months, a net balance of +49% expect infrastructure workloads to continue to increase and while there is more positivity about the other segments of the construction industry at this time horizon, they are still significantly lagging in terms of the RICS metrics; private non-residential has a reading of +10% while for private residential, it is +6%. At a country level, the same picture is pretty much replayed across APAC as shown in Chart 2.

As elsewhere around the world, the cost of, and supply chain around the delivery of, key building materials is seen as a significant obstacle to development plans. Over nine in ten respondents in the region identify the former issue as a challenge while more than two thirds highlight the latter. Meanwhile access to finance and skill shortages also continue to be viewed as problems for the industry. The latter challenge includes employment of a range of professional trades including project managers and quantity surveyors.

However alongside this, it is noteworthy that a relatively high proportion of respondents (66%) from APAC also signalled lack of demand as an issue; this compares with just over 20% in North America and Europe and around 50% for MEA.

Construction costs to outpace tender prices

The problems highlighted around both building materials and labour are likely to continue to be reflected in cost pressures over the course of the next year. Chart 3 shows how this plays out at a country level compared to expectations for tender prices. Indicative of the more localised trend highlighted here, for the whole of APAC costs are viewed as likely to rise by a further 7% in aggregate against a 3% increase in tender prices.

Despite labour shortages and rising costs attached to recruitment, respondents to the survey from the APAC region are anticipating an increase in hiring to support the uplift in construction work built into the projections. A net balance of +19% are looking for growth in headcount which is little different to the result for Q4.

Chart 1: Construction Activity Index

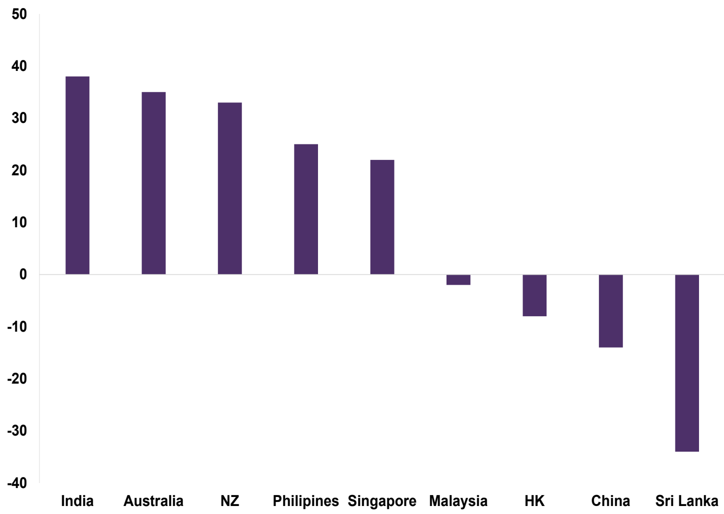


Chart 2: 12 month workload expectations by sector

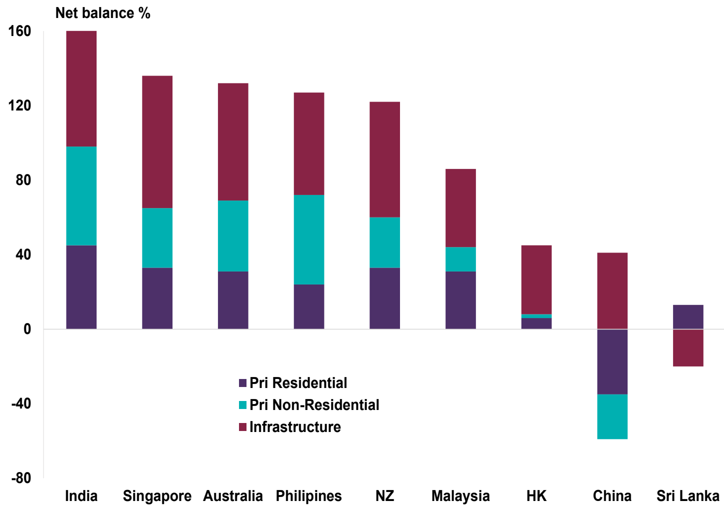


Chart 3: 12 month tender price and construction costs expectations

Regional Comments from Survey Participants in Asia Pacific

Australia

Cost and availability of materials from overseas- *Adelaide*

Delay in materials, products, equipment and plant from overseas - *Brisbane*

Infrastructure Sector - Increased in demand and rates increases - *Brisbane*

Material price rises and skills shortages are the biggest factors currently affecting our business - *Brisbane*

Recent floods caused widespread damage to property & infrastructure -demand for labour will increase- *Brisbane*

Downstream affects of C-19 prolongation and cost increases due to global supply chain congestion- Melbourne

Shipping of materials from overseas causing delays - *Melbourne*

Supply chain issues - *Melbourne*

Covid has kept our state border shut and lead to a shortage of all labour, management and skilled - Perth

Labor shortages(skilled and unskilled)and material shortages will affect the market - *Perth*

Over stimulated economy, supply chain constraints, increased transport and material costs - Perth

High price increases of commodity materials such as Steel, Reinforcement, Aluminum and Copper - *Sydney*

Shortage of quantity surveyors coming from overseas -*Sydney*

New regulations with FRNSW by way of stakeholder involvement resulting delays to resolving issues- *Sydney*

Potential for interest rate rises in 2022.- *Sydney*

Overheated infrastructure market and China's continual shutdown- Sydney

China

Import restrictions and delays owing to Covid-19 effects - *Beijing*

Market downturn- Beijing

Social debt increases, investment returns decrease, and social confidence is low - Changji

Economic downturn in construction industry- Chengdu

Epidemic situation, material price - Guangzhou

At present, government investment projects are more inclined to state-owned enterprises to undertake consulting. Not conducive to enterprise - Haikou

Affected by the epidemic, labor costs and raw material costs have increased rapidly, while energy costs and consumer prices have increased - Hohhot

1. The Covid-19 infection and control measures among China. 2. The Ukraine Russia War - Shanghai

Increased competition, lower demand, and dramatic increases in labor costs - Shanghai

It has been more than a month since the government closed the city due to the new covid epidemic. It is expected that there will be a shortage of materials and labor in the future, resulting in a substantial increase in costs - Shanghai

The covid epidemic affects the start time, resulting in shortage of materials and labor shortages - Shenzen

Rising costs, fewer projects - Shenzen

I think the spread of the new epidemic around the world is an important factor. Secondly, the impact of the international situation is also very high pressure on the domestic economy, and the second is the policy adjustment of housing -Xi'an

Zero covid case strategy maintained by local gov - Zhangjiakou

Hong Kong

Escalation in transportation cost due to shortage of labour (COVID-29 effect)

Shortage of labour

Cross border logistic - Truck delivery is limited and transport by ship is only alternative,

Shortage of labor and unforeseen transportation arrangements

Covid 19

Omicron pandemic impacts the development market severely

Government control strategy in prevention the infection of Omicron Covid-19

Covid outbreak has cause logistic difficult and frequent closure of site

Covid-19 causing slow work progress

Town planning, policy regarding the control of spread of the pandemic.

Material cost increase and shortages

India

After COVID affects, war like situations in countries, unstable political scenarios- Agra

Expected fuel price hike & war in Ukraine - *Bengaluru*

Ongoing war between Russia and Ukraine, will push input costs upwards - Bengaluru

Overall real estate environment looks positive- Bengaluru

Improper drainage system which leads to flood in rainy season - Chennai

Work from home - *Hyderabad*

Quality key issue - Mumbai

Mismatch of demand v/s Supply - Mumbai

Price increase of cement, steel affecting margin - Mumbai

Shortage of labours, procurement of materials from abroad has affected construction market Mumbai

Disruption of Supply Chain and escalated material and labor prices impacted badly - Pune

Malaysia

Due to the pandemic and the restriction of the immigration border - *Johor Bahru*

Climate change - *Kuala Lumpur*

Shortage of Labour and Materials - *Kuala Lumpur*

Lockdown due to Covid 19 has slowed down the construction activities - *Kuala Lumpur*

New Zealand

Covid: border restrictions. Ukrane war oil price pressure- *Auckland*

Material shortages and production timeframes - *Auckland*

Price volatility & long lead times are causing disruption, impacting feasibility studies & planning - *Auckland*

International transportation delays - Auckland

Capacity constraints will hopefully be eased by incoming migrant labour - Christchurch

Covid. Supply chain logistics - Christchurch

General shortage of resources - materials, people with the required skillset - Wellington

Phillipines

Materials cost, transport and labor cost will increase due to the oil price increase- Cainta

Materials cost swill increase; labor will increase possibly- *Cebu*

Covid-19 continuous to affect productivity and the increase of expenses due to war in Ukraine - Lipa

Shortage of manpower - Manila

Singapore

Closed borders

Lockdown in China

Labour shortage

Delivery cost and delivery time

Visa to foreign workers

Sri Lanka

Lack of business confidence due to currency depreciation and general economic outlook - *Colombo*

Europe: Construction output continues to rise in aggregate although conditions appear more varied at the country level

The latest feedback across Europe points to a continued rise in construction workloads at the headline level, although some nations have seen momentum soften during Q1. Moreover, geopolitical events have increased uncertainty regarding the outlook, while adding to already significant pressures around the cost and availability of materials. This is expected to place downward pressure on profit margins over the next twelve months.

Construction Activity Index moderates but remains positive

At the aggregate European level, the CAI eased to +19 in Q1, following a reading of +29 last quarter. Although still comfortably in positive territory, this does represent the most modest return since Q1 2021. Looking at the country level breakdown displayed in Chart 1, Romania, Italy and Spain all saw a noticeable loss of momentum over the quarter. By way of contrast, the CAI edged up slightly in Switzerland, Germany and France during the latest survey period. Meanwhile, solid readings continue to posted in the Netherlands and the UK (even if these are a little more modest than previously).

Private residential sector still anticipated to lead the way over the next twelve months

Illustrated in Chart 2, the private residential sector continues to display the strongest expectations for workloads over the coming twelve months across Europe as a whole. That said, the latest net balance of respondents anticipating a rise in output across the sector did soften slightly to +40% from readings of +49% and +59% back in Q4 and Q3 respectively. At the country level, Germany, France, the UK and the Netherlands all exhibit firmly positive expectations for the private residential sector going forward.

With respect to the private non-residential sector, twelve-month expectations moderated to a more noticeable extent over the quarter. Indeed, the net balance of respondents envisaging an increase in workloads softened to +15% from +40% last quarter. In particular, contributors in Italy are now of the view that private commercial workloads may pull-back over the year to come, while the outlook has turned flat in the opinion of respondents based in Spain and Romania.

Turning to infrastructure, a headline net balance of 22% of survey participants anticipate an increase in activity across the sector over the next twelve months at the pan European level. Nevertheless, expectations for infrastructure workloads have now eased in each of the last three quarters, down from a net balance of +52% back in Q2 of last year. Even so, the country level data points to Switzerland, the Netherlands and the UK still envisaging a firm pick-up in infrastructure output over the coming year.

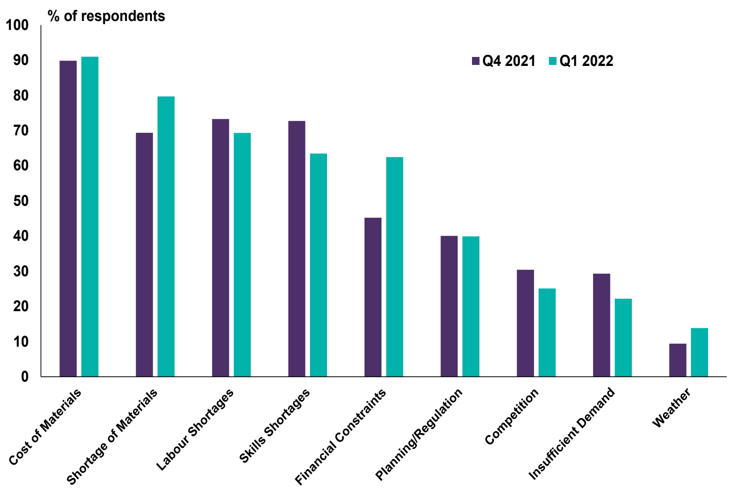
Pressures around material costs and supply becoming more acute

Likely contributing to the slight easing in momentum seen across several elements of the Q1 European data, pressures around material cost inflation, as well as the availability of materials, continues to intensify. As shown in Chart 3, a respective 91% and 80% of respondents noted difficulties with costs and the supply of materials in Q1 (up from already elevated shares of 90% and 69% of contributors citing such issues back in Q4). On the back of this, twelve-month profit margin expectations slipped into negative territory, posting a net balance of -14% compared to +1% last time.

Chart 1: Constuction Activity Index

Chart 2: 12-month expectations

Chart 3: Factors limiting activity



Regional Comments from Survey Participants in Europe

Belgium

GDP, inflation, political-economic conditions. - Brussels

Croatia

A lot more demand than supply. - Zagreb

Cyprus

Freight costs. - Nicosia

Denmark

The Ukraine situation is having an affect on the supply chain which was already impacted by Covid. - Odense

France

The current situation in Ukraine is having an impact - *Bouche de Rhone*

Germany

Impact of refugees from Ukraine into German market, subject to how crisis pans out. - *Berlin*

Uncertainty due to Covid and Ukraine conflict. - *Hamburg*

Increase in land costs. - *Hennigsdorf*

Ireland

Structural Steel S/C quotes valid for 1 day only due to Ukraine invasion. - *Dublin*

Excessive demand allied to labour resource limitation points to an unpredictable market place. - *Dublin*

War in Ukraine causing reduction in material supply and increased prices for material. - *Dublin*

Recent invasion of Ukraine will have a serious impact as we go into 2023. - *Dublin*

Ukraining crisis is having a significant impact on material costs and availability. - Nationwide

Italy

Cost of materials is the primary issue. - *Milan*

Skilled traders very diffucult to find. - *Sondrio*

Political issues (Ukraine war), cost materials is increasing. - *Treviso*

Luxembourg

Increasingly complex and lengthy authorization procedures with uncertain outcome. - *Luxembourg*

Netherlands

Shortage of materials. - *Amsterdam*

Availability of material, uncertainty of price developments, delays at suppliers. - *Montfoort*

Poland

lack of materials, increase of costs, negative impact of legislation. - *Warsaw*

The Russian attack on Ukraine has had a serious impact on the supply & cost of materials and labour. - *Warsaw*

Portugal

Plan approval delays. - *Lisbon*

Romania

The current war in Ukraine. - *Bucharest*

Spain

Architects selling Project Management and not delivering on that service, rescues needed. - *Barcelona*

Logistics and material production affected by the Ukraine War. - *Madrid*

Fuel and energy costs are driving overhead increases across all work streams. - *Madrid*

Strike in transports and also materials and power costs. - *Madrid*

Switzerland

Delays in the delivery of materials such as metal and wood. -*Geneva*

United Kingdom

Factors such as interest rates and rising inflation. Conflicts aboard+ labour shortages. - *Birmingham*

Delays in specialist equipment from outside UK. - *Glasgow*

Inexperienced clients lose money on developments by ignoring standard legal process and cost advice. - *London*

Supply chain and skills issues.. - *London*

Brexit, Covid, War in Ukraine. - *London*

Middle East and Africa: Activity strengthens further at the headline level, with sentiment improving in several markets

The Q1 2022 GCM results across the Middle East and Africa point to construction activity gaining momentum through the early part of the year, while forward looking indicators are consistent with further solid growth over the twelve month time horizon. Even so, as is the case across the rest of the globe at present, rising material costs and supply chain issues are widely cited to be hindering the market, and these factors could take a greater toll on potential growth across the market further ahead.

Headline Construction Activity Index improves for a fifth successive quarter

Across MEA in aggregate, the CAI rose to post a reading of +29 in Q1, up from +20 previously and representing the fifth straight report in which this measure has improved. As a result, the region-wide figure comfortably exceeded the global average for this indicator for a second consecutive quarter (having lagged the on a global comparison throughout the early part of 2021).

At the country level (shown in Chart 1), Saudi Arabia continues to exhibit the strongest CAI readings across all nations tracking throughout the region, albeit the latest figure is broadly in with that posted previously. Elsewhere, Bahrain, Oman, the UAE and South Africa all saw a noticeable increase in the headline activity metric over the quarter. At the weaker end of the scale, the CAI remains in negative territory across Qatar, and actually deteriorated slightly further in Q1.

Business enquiries continue to gather pace, feeding through into solid expectations for workloads

Demonstrated in Chart 2, new business enquiries are gathering pace across the MEA construction industry, with a net balance of +24% of respondents citing an increase during Q1 (up from a figure of +12% in both the Q4 and Q3 survey results). On the back of this, respondents are optimistic regarding the outlook for workloads over the coming twelve months, with the private residential sector in particular seeing an upgrading in expectations over Q1 (Chart 3). Indeed, the net balance of respondents anticipating growth in private residential sector activity rose to +52% from +32% last quarter. At the country level, Nigeria, Saudi Arabia and the UAE all display especially firm expectations across the housing sector.

Meanwhile, infrastructure workloads are still anticipated to see a strong uplift over the coming twelve months, posting a net balance of +48% (broadly in-line with Q4's reading of +52%). Likewise, respondents also foresee a strong pick-up in private commercial workloads over the year head, with the latest net balance of +48% representing an improvement on a figure of +38% seen last time.

With respect to construction employment trends, a net balance of +38% of survey participants at the regional level envisage headcounts rising during the next twelve months (up from a reading of +32% in Q4). Meanwhile, profit margins are also anticipated to expand by a net balance of +25% of contributors.

Material costs and financial constraints still seen as issues

Despite the generally positive tone to the latest data across MEA, 84% of respondents continue to cite financial constraints to be a factor holding back the market at present. Similarly, 80% of contributors report that rising material costs are an issue weighing on activity. That said, labour shortages are generally seen as less of a problem across MEA than at the global level (38% report issues sourcing labour in MEA vs 62% globally).

Chart 1: Construction Activity Index

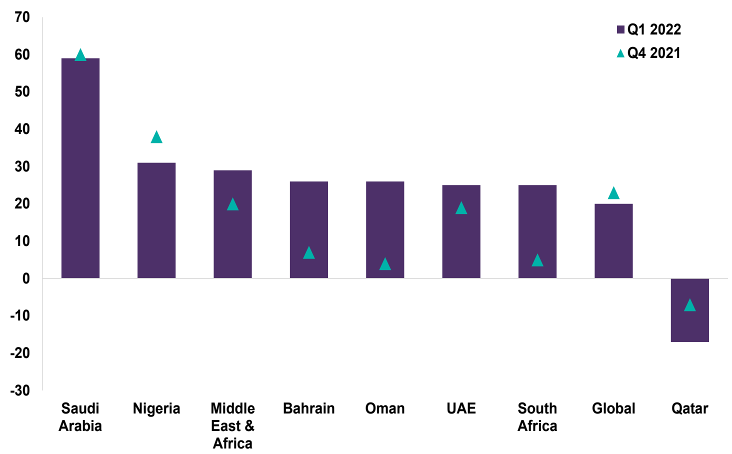


Chart 2: Trend in new business enquiries

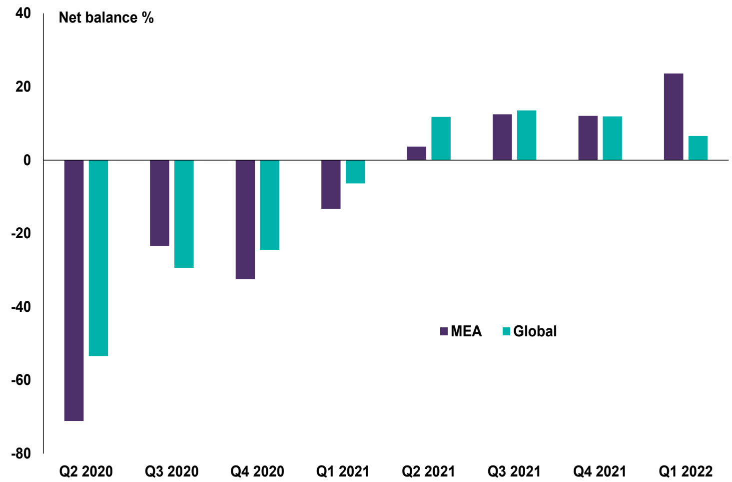
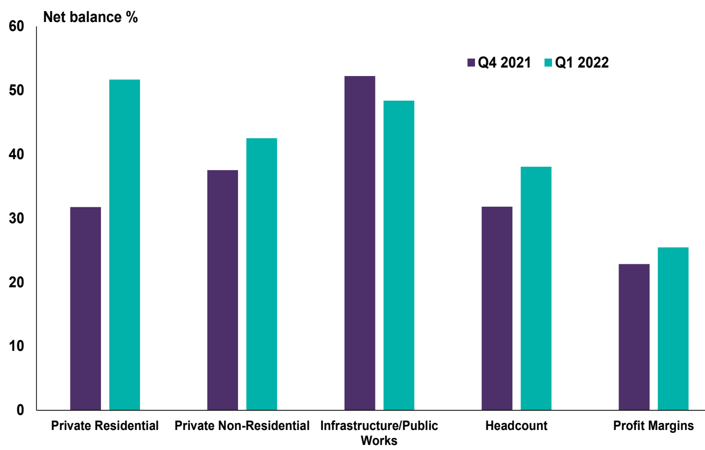


Chart 3: 12-month expectations



Regional Comments from Survey Participants in MEA

Bahrain

Material costs, shipping costs, import delivery delays, cash flows, payment delays. - *Manama*

Increased demand, lack of supply and difficulties in delivery. - *Manama*

World political situation having an impact. -*Manama*

Egypt

Inflation and devaluation of local currency. - Ciaro

Changes in Laws. Shortage of supplies from Russia and Ukraine. -*Ciaro*

Ghana

The impact of Covid has affected economic indices greatly which has effected our business. -*Accra*

High shipping costs. -*Accra*

Kenya

High cost of materials and unavailability of the materials. -*Nairobi*

Reliance on imported materials from overseas. Cost and delivery uncertainty. -*Nairobi*

Kuwait

There is a significant amount of Inflation post Covid-19, due to import and export restrictions. - Kuwait city

Pandemic is still a factor. - *Kuwait city*

Malawi

Political interference and corruption are having a major impact on the construction market. -*Lilongwe*

Mauritius

Covid cases on site, war in Ukraine & its implication in the market, commodity prices, freight costs. - *Arsenal*

High rise in projected cost for Aluminium openings (rise in raw materials production and sourcing). - *Nationwide*

Prices of materials are constantly increasing coupled with budget constraints from clients. - *Port Louis*

Nigeria

Inflation in the building material costs and labour due to insecurity in the country. - *Abuja*

Increased price of premium motor spirit for plants and equipment. Increased transportation cost also.- *Ikoyi*

High exchange rate, dearth of professionals. -*Lagos*

High cost of materials coupled with government policies. - *Lagos*

Oman

VAT and climate conditions.-*Muscat*

Oil Price. Requirement for international investment. - *Nationwide*

Qatar

Rush to complete the WC 2022 projects and infrastructure but with no sign of what happens after. - *Doha*

Slow down due to World Cup shutdown. - *Doha*

World Cup projects are spiking demand and seeing higher tender prices as a result. - *Doha*

Since FIFA worldcup related projects have been completed, demand in construction decreases. - *Doha*

Saudi Arabia

In Jeddah major redevelopment projects have been launched by the government and it creates opportunity for construction. -*Jeddah*

Saudi Arabia's new approach of accepting tourism and liberalizing freedom in kingdom.- *Riyadh*

Significant increase in inflation is imminent as the Mega Programmes complete the design phases. - *Riyadh*

Lack of training and welfare support and the impact of remote working and isolation from family. - *Riyadh*

Attracting consultancy staff and management to KSA. - *Riyadh*

Remnants of Covid -19 and war in Ukraine. - *Riyadh*

South Africa

Procurement of materials is quite challenging and choice is limited. - *Bloemfontein*

Lead times for materials and imports extending. - *Cape Town*

Delays in implementing infrastructure projects by government. - *Durban*

COVID-19; the markets still haven't recovered. Slowly picking up but not sufficiently. - *Johannesburg and Lephalale*

High fuel prices have a knock-on effect on all aspects. - *Rustenberg*

UAE

High oil prices, inflation, shortage of some kind of materials and lack of specialists in some areas. - *Abu Dhabi*

Material and labour costs have increased drastically which has increased the construction costs. - *Abu Dhabi*

World rise in oil prices affecting this region as well. - *Abu Dhabi*

Material cost is increased and availability is very limited. Taxes are increased. Mobilization. - *Dubai*

End of the pandemic. -*Dubai*

Russia Ukraine war has indirect effect, while recovery from prevailing pandemic is still slower. - *Dubai*

Demand to control cost and delay in payments affecting the business. - *Dubai*

Global supply chain issues. - *Dubai*

Extreme competition is becoming unhealthy and depleting the margins and salaries for professional. - *Dubai*

Commodity price volatility. - *Dubai*

Information

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

Survey questionnaires were sent out on 9 March 2022 with responses received until 18 April 2022. 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 2035 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.

Disclaimer

Contact details

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Canadian Institute of Quantity Surveyors | Institut canadien des économistes en construction

PICQS

Consejo General de la Arquitectura Técnica de España

Delivering confidence

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