

UK market in a nutshell

Wider context

The government remains optimistic that the economy will return to pre-pandemic proportions by the beginning of 2022, however, shortages of materials, goods and HGV drivers remain a concern alongside rising energy prices and COVID-19 cases.

Site productivity and labour

Only 41% of contractors said that site productivity is between 81-100% compared to 70% in our Summer report. This is due to a mix of factors including materials, deliveries and labour availability issues, as well as COVID-19 cases.

Labour

The latest ONS data indicates that the construction industry is seeing the highest level of vacancies in 20 years and 93% of contractor respondents to our survey said that they had seen labour rate increases in the past quarter.

Materials

The Department for Business, Energy and Industrial Strategy's 'All Work' material price index increased by 24.1% between February 2020 and August 2021.

Tendering

Construction activity continues to increase, with 52% of respondents to our survey saying that tender opportunities had increased in the past quarter and 43% forecasting that tender opportunities will increase over the coming quarter.

Claims

Increased costs are putting pressure on the supply chain, particularly where prices were fixed before the increases started to be seen. As pipelines are starting to fill up, engagement with the supply chain is key, along with robust tender documents with fair risk apportionment.

UK inflation forecast

Project inflation should be assessed on a case-by-case basis. There is particular market volatility currently.

	4Q 2021 - 3Q 2022		4Q 2022 - 3Q 2023		4Q 2023 - 3Q 2024	
	Moderated forecast	Summer 2021 forecast for equivalent period*	Moderated forecast	Summer 2021 forecast for equivalent period*	Moderated forecast	Summer 2021 forecast for equivalent period*
East	3.00%	2.75%	3.00%	3.25%	3.00%	3.50%
Greater London	5.00%	3.75%	4.00%	3.50%	3.00%	3.75%
Midlands	3.75%	3.00%	3.50%	3.25%	3.50%	3.50%
Northern Ireland	2.75%	5.50%	3.30%	4.00%	3.50%	3.50%
North East	3.25%	2.75%	2.75%	2.75%	3.00%	2.50%
North West	3.25%	3.00%	3.50%	3.25%	3.25%	3.25%
Scotland	3.00%	2.75%	2.00%	2.50%	2.00%	2.50%
South East	3.50%	3.00%	3.75%	3.25%	3.50%	3.50%
South West	3.25%	2.75%	3.50%	3.25%	3.50%	3.50%
Wales	3.00%	3.25%	3.25%	3.50%	3.25%	3.50%
Yorkshire and Humberside	3.25%	3.00%	3.75%	3.00%	3.50%	3.25%

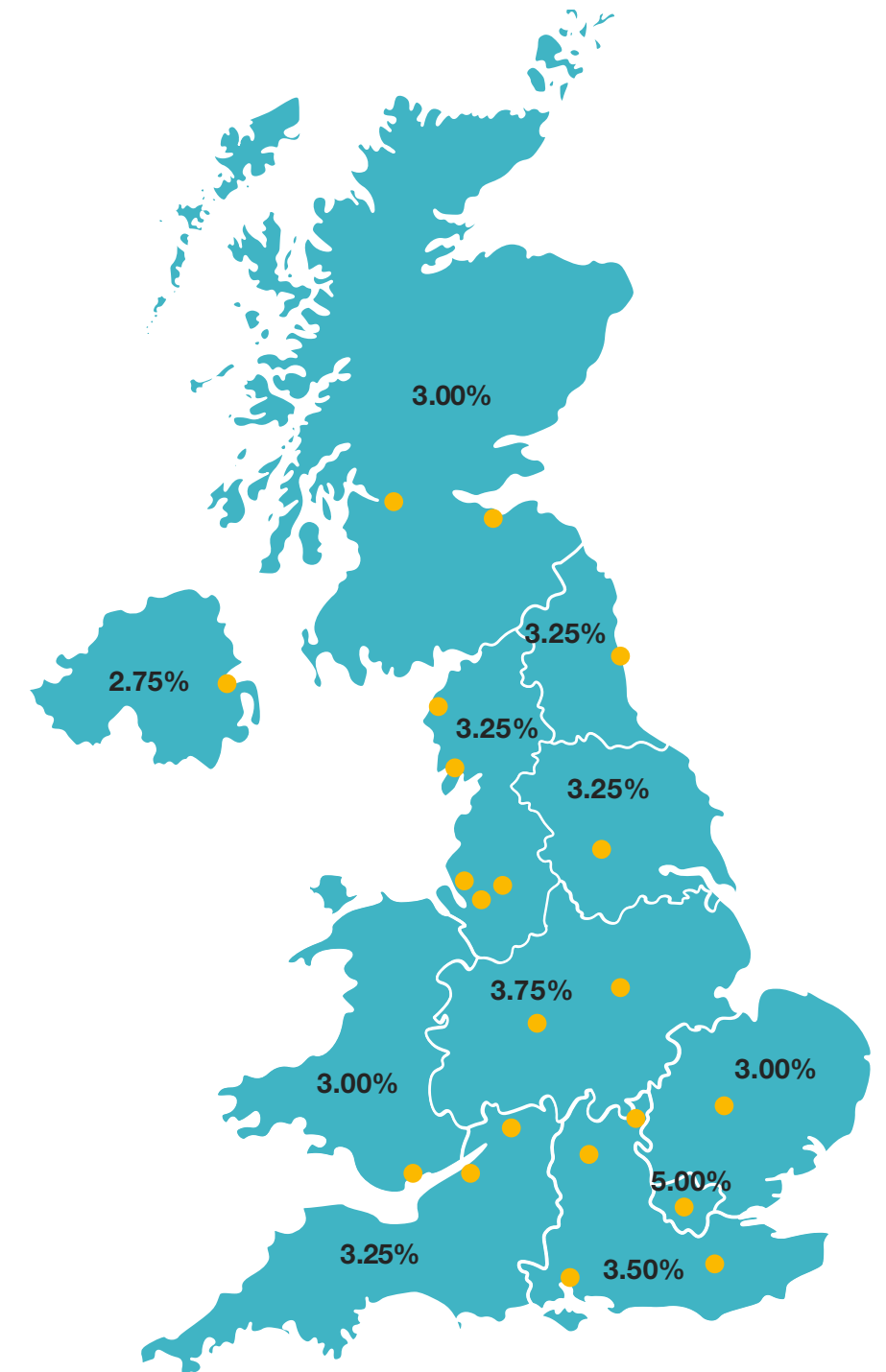
Typical inflation forecasts

2020 – 0.00%
 2021 – 6.00%
 2022 – 3.50%
 2023 – 3.50%

*Summer 2021 report forecasts calculated for the equivalent period covered in this report have been rounded to the nearest 0.25 percent.

Note: This assessment is based on collated views from an internal survey of Gleeds' experts. These forecasts reflect tender price inflation only and do not account for additional costs associated with extended programmes due to social distancing measures, delivery delays and the like. Inflation should be assessed for each project.

Regional inflation forecasts 4Q21 - 3Q22



Autumn 2021 UK Market Report

Weathering the storm

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