



Q4 2021: Global Construction Monitor

Global construction output continues to rise despite challenges around material costs and skill shortages

- **Construction Activity Index now in positive territory across all world regions**
- **Growth in private residential, private commercial and infrastructure sectors accelerates at the global level**
- **86% of respondents cite material costs as an impediment while skills shortages become more acute**

The Q4 2021 RICS Global Construction Monitor (GCM) results point to another quarterly improvement in headline activity, with growth in workloads appearing to accelerate across all sectors relative to Q3. Nevertheless, ongoing challenges around rising material costs and skills/labour shortages remain prominent, with the proportion of respondents citing such issues to be hampering activity further increasing (from already elevated levels) in the latest survey feedback.

Construction Activity Index increases during Q4

At a global level, the headline Construction Activity Index (CAI) picked up slightly over the quarter to record a reading of +23 relative to +18 last time. As such, this is indicative of a modest strengthening in momentum during Q4. When disaggregated across world regions, the Americas now display the strongest CAI reading, with the latest figure rising to +32 from +27 beforehand (representing the most positive reading since the survey was established in early 2020). Alongside this, MEA also posted its strongest CAI reading currently on record, with the latest figure of +20 marking a small improvement on +18 previously. Elsewhere, the CAI reading across APAC turned from flat (+3) to modestly positive at +15, albeit momentum still appears slightly softer than was the case earlier in 2021. Meanwhile, the headline CAI moderated a touch in Europe, easing to +29 from +34, although the Q4 number is still

consistent with a solid pick-up in activity nonetheless (chart 1).

Turning to the country level results (demonstrated on chart 4 overleaf), Saudi Arabia, the Netherlands, New Zealand and the United States all recorded especially robust CAI readings in Q4. Significantly, only three markets covered in the Monitor returned a negative reading for the headline index (Qatar, Sri Lanka and Malaysia). Encouragingly, previously downbeat returns across Oman and Singapore improved over the latest survey period, with both nations displaying flat to modestly positive figures now.

Global workloads accelerate across all sectors

Supporting the uplift seen in the global CAI over the quarter, growth in workloads reportedly gained impetus across all sectors. Indeed, a global net balance of +22% of survey participants noted an increase in private residential workloads in Q4 (up from +18% in each of the previous two quarters). Alongside this, the net balances for the private non-residential and infrastructure sectors improved to +26% and +25% respectively (up from readings of +5% and +15% last time). In the case of private non-residential, this marks the most upbeat reading across the sector since data collection began in Q2 2020.

Chart 1: Construction Activity Index*

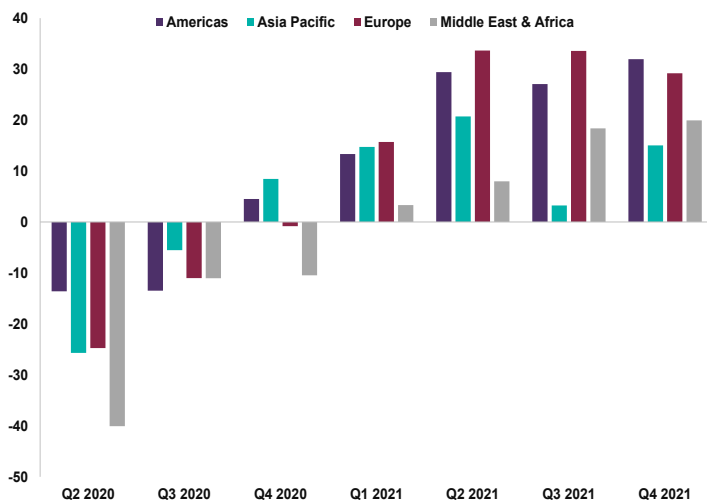
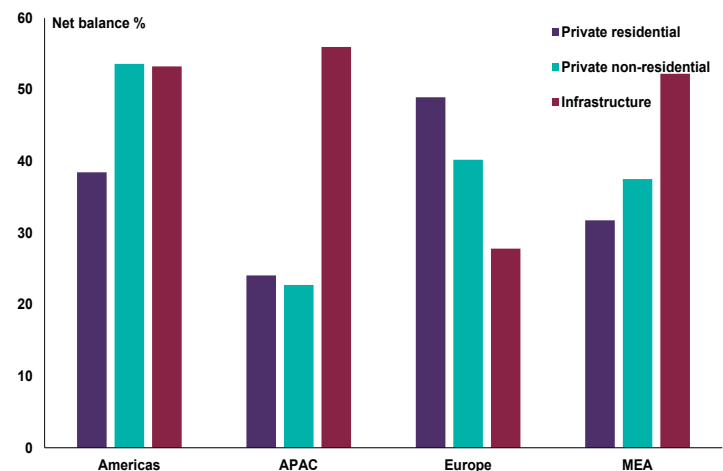


Chart 2: 12-month workload expectations



*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:



Institut canadien des économistes en construction



At the regional level, Europe continues to exhibit the strongest trend in private residential workloads in relation to all other areas (posting a net balance of +54% compared to the global average of +22%). Furthermore, Europe also returned the most positive feedback regarding private commercial sector workloads, with the latest net balance standing at +34%. At the same time, the Americas saw a noticeable acceleration in private commercial output, evidenced by the net balance rising to +26% from +6%. With respect to the infrastructure sector, respondents across APAC and the Americas are currently seeing the strongest trend in workloads. When it comes to the twelve-month outlook for the sector, expectations are now firmly positive across APAC, the Americas and MEA (chart 2). Meanwhile, across Europe, although infrastructure expectations are still comfortably positive, they have now been trimmed in each of the past two quarters.

Employment trends more or less flat at the global level

During Q4, the worldwide net balance for headcounts came in at -5%, a marginal rise of -9% seen last time. Consequently, this latest reading is now consistent with a broadly flat trend in employment of late, having pointed to a fall in headcounts over much of the past two years. For the twelve months ahead, an aggregate net balance of +25% of contributors anticipate employment levels recovering, albeit this is not quite as strong as the reading of +31% returned in the previous quarter.

Examining the country level results shows that Saudi Arabia, Nigeria and the UK returned the strongest net balance readings for current growth in headcounts during Q4. At the other end of the scale, respondents reported a contraction in employment across the construction industry in Sri Lanka, South Africa, Oman and China. Going forward, twelve-month employment expectations are signalling a firmly positive trend to come in Saudi Arabia, Switzerland, the United States and New Zealand. Moreover, expectations are positive to a greater or lesser degree across the vast majority of markets covered.

Material cost pressures show no sign of easing

As has been the case in each of the past three quarters, material costs are cited to be the most significant hindrance

to construction activity, with 86% of respondents globally highlighting the issue (up from 83% in Q3). Alongside this, skills shortages appear to be becoming more of an issue, as 67% of global respondents point to problems in this area (an increase on 58% last time). Looking into the details, skilled trades and project managers appear to be in particularly short supply according to the latest feedback. At the same time, two-thirds of survey participants single out labour shortages more generally, as well as material shortages, to have been an obstruction across the market in Q4.

With respect to projections for the coming year, respondents foresee total construction costs rising by 7.4%, having been revised higher from an estimated 6.9% back in Q3. Material costs are again expected to prove the most significant driver of this increase, with material price inflation anticipated to come in at 8% during 2022. On the same basis, unskilled and skilled labour costs also display elevated projections, with respondents seeing a respective 4.4% and 5.7% increase over the year ahead.

Chart 3: Factors holding back activity

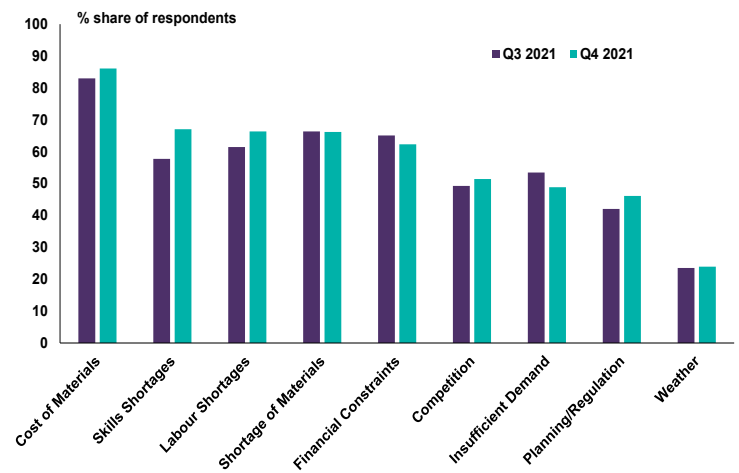


Chart 4: Construction Activity Index by country

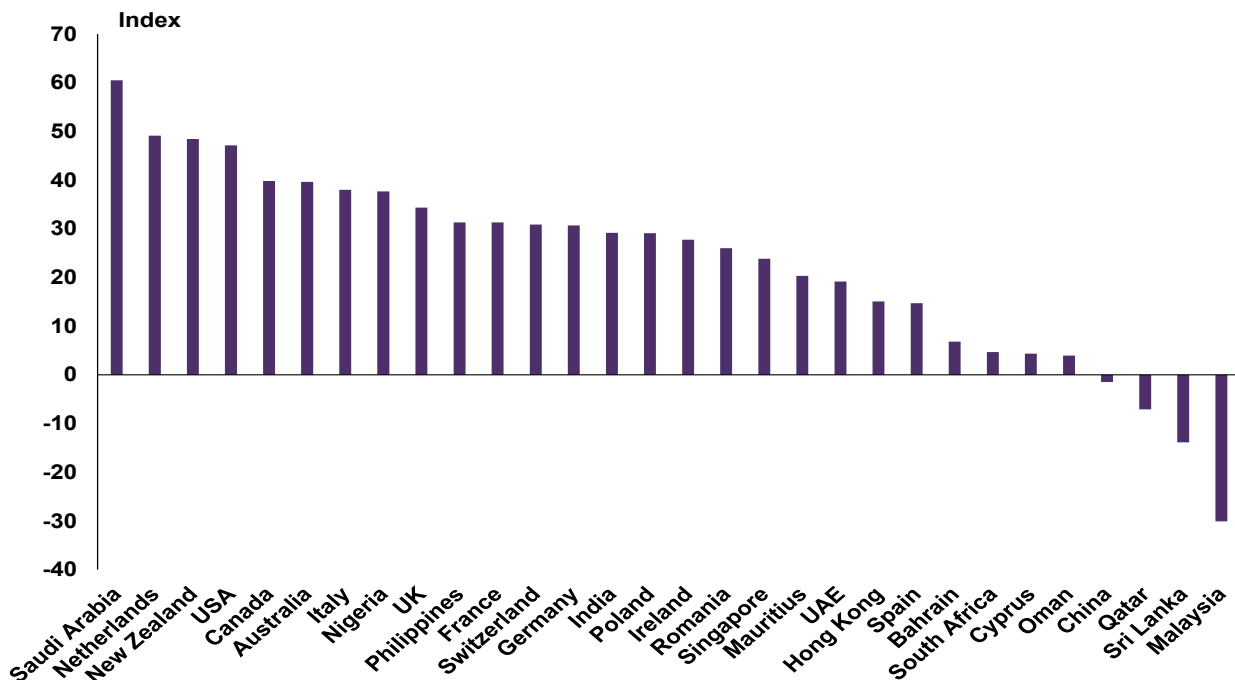


Chart 5: Current and expected workloads

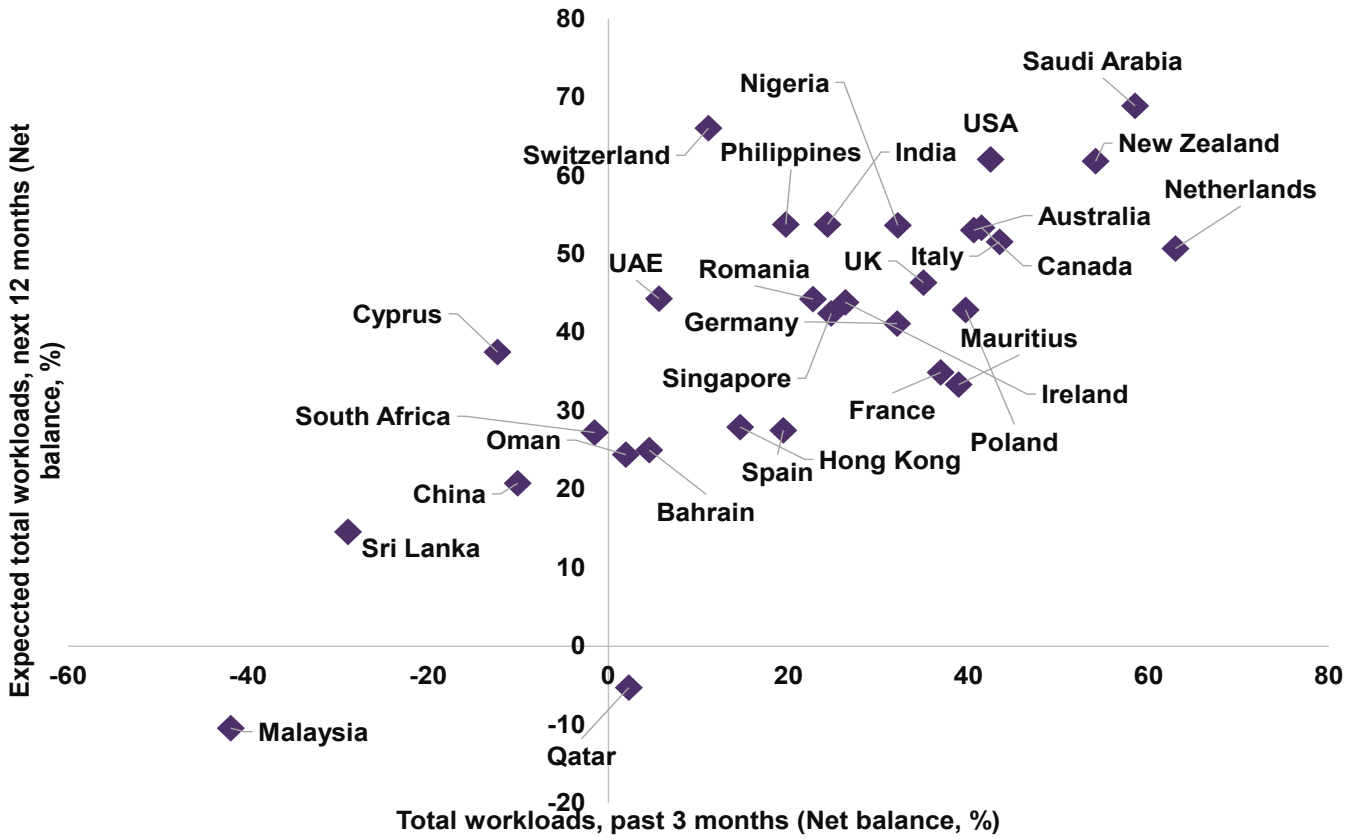
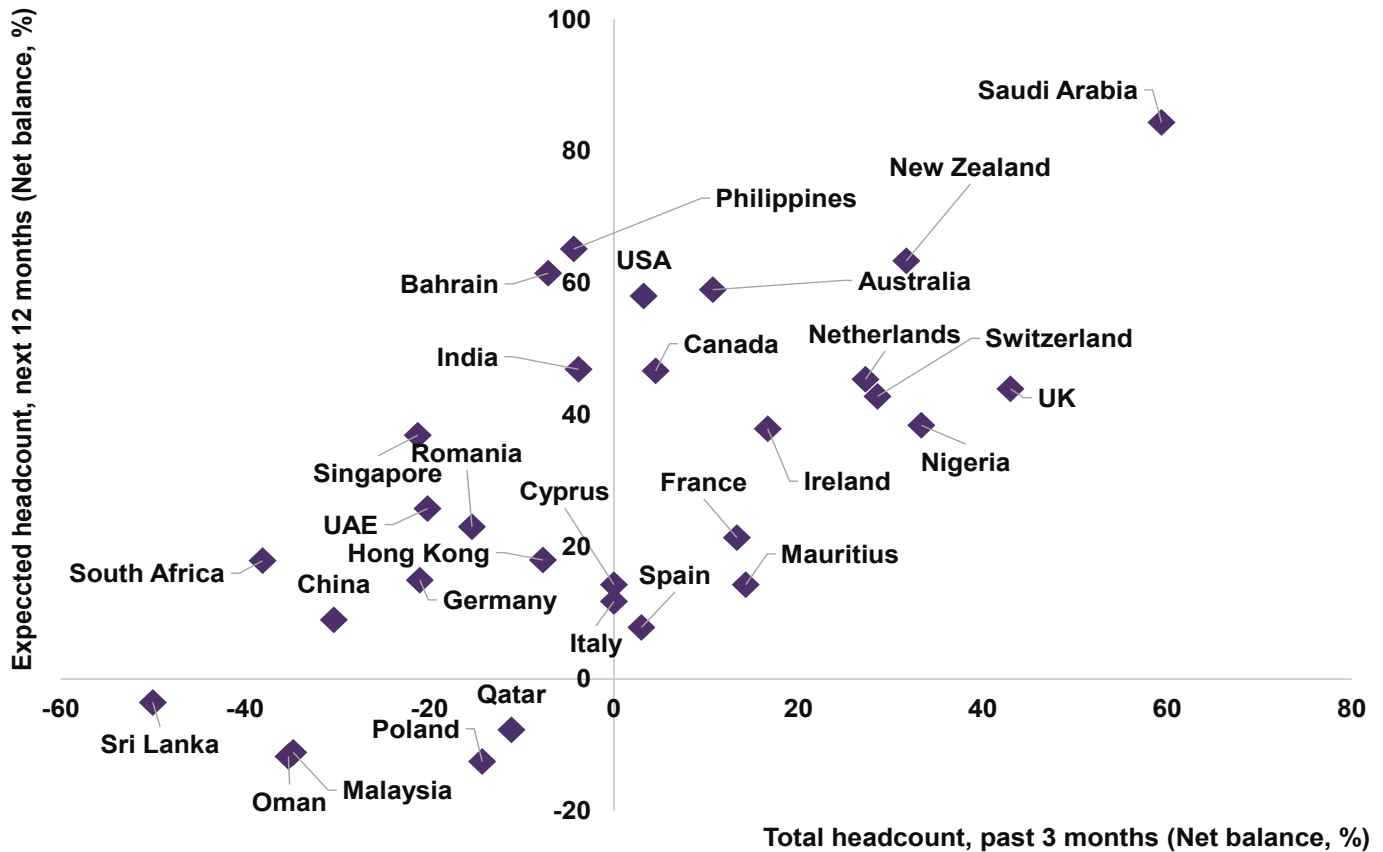


Chart 6: Current and expected headcounts



North America: Workloads likely to continue to strengthen but material costs and skill shortages remain challenges

Feedback from respondents based in Canada and the United States suggests that activity in the construction industry is continuing to gain momentum. The headline Construction Activity Index (CAI) for the former actually edged down from +46 to +40, but remains at a level indicative of a very solid performance from the sector. Meanwhile for the US, the reading rebounded from +34 to +47 and now stands at its best level since the fourth quarter of 2019.

Infrastructure to play key role in driving activity

Chart 1 shows the results for current and expected workloads in net balance terms for both countries. While infrastructure workloads are already growing relatively strongly in each case, the forward looking metric is pointing to an acceleration in activity in this area. For the US, ICT is seen as likely to be driver of much of the infrastructure work. Meanwhile in Canada, social infrastructure has the highest net balance reading followed by transport and ICT. Equally striking, while residential workloads are viewed as likely to remain buoyant through the course of this year, respondents foresee non-residential work also gaining momentum, despite the structural challenges facing both the office and retail sectors. Significantly, the new business enquiries metric is also telling a positive story about the prospects for the industry.

Headwinds continue to be provided by materials and labour

As elsewhere around the world, respondents in Canada and the US are continuing to highlight concerns about both the availability and the cost of building materials. Chart 2 demonstrates the importance of these issues but it also highlights the concerns being expressed about labour supply and more specifically, skilled labour. 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.

Expectations around hiring over the next twelve months are, nevertheless, still strong, with the net balance readings coming in at +47% in Canada (marginally down from +54% in Q3) and +58% in the US; this compares with +50% previously. These ambitious plans are likely to result in further upward pressure on wages. Projections from respondents suggest that the increase in skilled labour costs is likely to be in the region of 5 to 6% over the next year.

Sentiment remains a little mixed on profits outlook

At one level, there appears greater reason for encouragement regarding the picture for profits. For the US, the net balance reading for the twelve months expectations metric has climbed from +27% last quarter to +43% in Q4; this compares with the current view of margins at +10%. For Canada, the expectations net balance stands at +18% which is a little lower than where it was in the previous iteration of the survey. However it is still signalling an improvement on the recent margin growth indicator (net balance of +1%).

That said, Chart 3 draws attention to a potential threat to the increasingly positive trend. In both countries, when respondents were asked to provide point estimates as to their perception of the likely increase in tender prices and construction costs, they indicate that the latter will outstrip the former by around two percentage points. Predictably, material costs are seen as particularly significant in influencing this, estimated to rise by 8% according to US respondents and 9% from those contributing based in Canada.

Chart 1: Construction workloads by sector

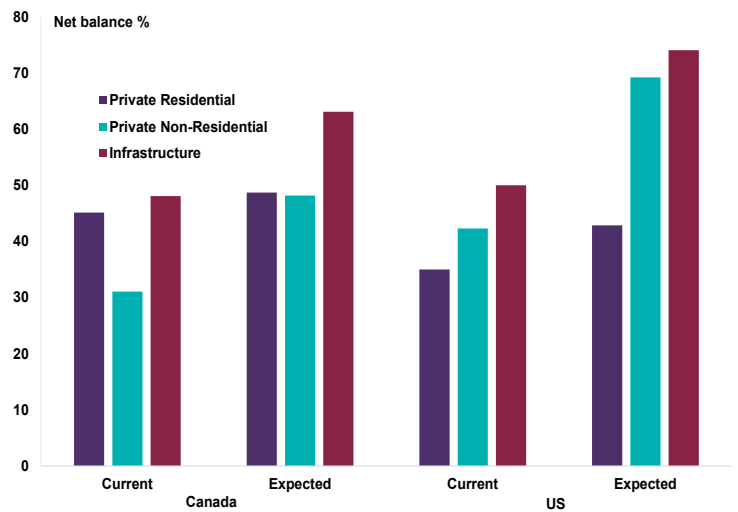


Chart 2: Factors holding back activity

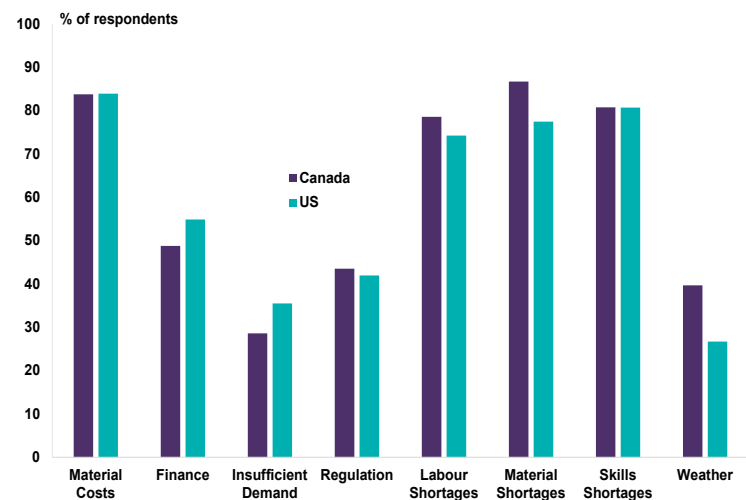
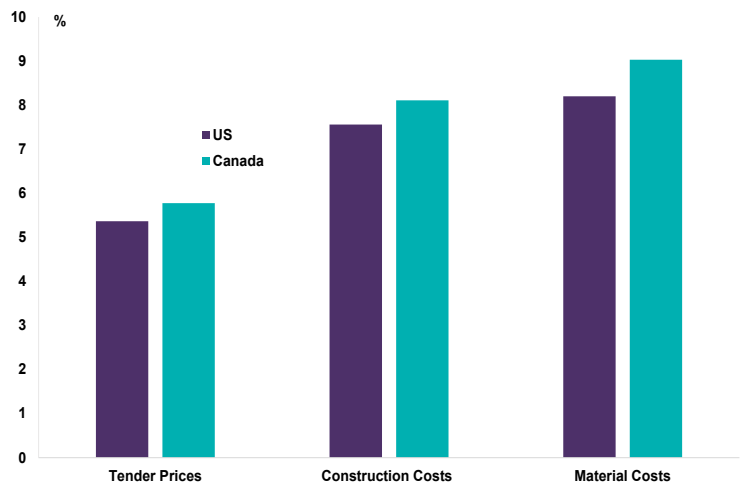


Chart 3: Tender prices and construction costs - 12-month expectations



Regional Comments from Survey Participants in North America

Canada

Flood, fuel shortage, crazy residential market. - Burnaby

Availability of Materials & cost. - Edmonton

Lack of business and projects development. - Calgary

Lack of investment in research and development. Often government rules block innovative thinking. - Calgary

Lack of investment in research and development. Often government rules block innovative thinking. - Calgary

The price of Energy - as Calgary is regarded as Canada's energy capital. - Calgary

Covid has added at least 2-5% of the entire cost of the project. - Edmonton

Currently the predominant factor is high inflation in supply chains. - Edmonton

High cost of system introduction
Clients refusal to pay any fee increases. - Edmonton

influence from other countries on material shortages. - Halifax

Skilled labor and supply chain disruptions. - Halifax

Cost of material, shortage of skilled workers, shortage of managers, slow procurement, design delays. - Kelowna

Supply chain and escalation not being fully understood by owners and developers. - Kelowna

Covid and information technology. - Montreal

Covid pandemic and the disruption of the supply chain for imported materials. - Ottawa

Limited material and labour availability. - Ottawa

Too many jobs at once. The trades are making their own prices. The inmates are running the asylum. - Ottawa

Clients are focused on cost cutting both the design process and construction costs. - Spruce Grove

Covid. - Toronto

Covid / Quality of Contract Documents / Bid Shopping- Toronto

Huge demand and less supply on residential. - Toronto

Lack of sites, supply chain issues. - Toronto

Municipal approval delays slowing down construction start and delaying projects. - Toronto

Short of skilled labour in Canada/ Market vs building capacity. - Toronto

Supply chain disruption. - Toronto

Rebuilding after recent natural disasters (fires and flooding) is likely to keep the industry busy. - Vancouver

Supply chain disruptions, material and labour costs inflation, lack of labour/tradespeople. - Vancouver

Increase volume of projects and decreased supply of skilled labour. - Victoria

Labour shortages, material costs general inflation. - Winnipeg

Labour shortages are a large concern with no real solution visible at this time. - Woodstock

United States

Pandemic. - Atlanta

Materials and labor costs have greatest affect. - Harrisburg

Government policy. - Houston

Market is unsettled. Work is increasing. Contractors want to increase prices but are too concerned. - Houston

Financial restriction. - Los Angeles

Covid uncertainty. - Los Angeles

Pandemic and political uncertainty. - New York

Supply chain. - New York

Lack and cost of materials. - Philadelphia

Material costs. - Portland

Supply chain issues. - San Francisco

Labour costs. - San Francisco

Unconstitutional mandate for mRNA vaccines for govt. subcontractors. Central Bank bred inflation. - Washington

Asia Pacific: Current workload trend strengthens with expectations for activity becoming more positive

The headline Construction Activity Index (CAI), which captures momentum across the industry, rebounded smartly in Q4 with a reading of +15 compared to a broadly flat picture in the previous three month period (+3). However, Chart 1 suggests there is still a fairly high degree of variance at the country level. The CAI remains strong in New Zealand (+43), Australia (+40), and the Philippines (+31) while gaining momentum, to a greater or lesser extent, in India, Singapore and Hong Kong. For China, the feedback is now pointing to a broadly stable trend with the CAI coming in at -1, little changed from -4 in Q3 but down from the +31 recorded during the first half of the year. Comments from Chinese respondents draw attention to the impact (as well as the management) of Covid, combined with the direction of government economic policy, as contributing to the slowing trend.

Expectations increasingly upbeat

In terms of responses around current workloads, the overall picture has turned a little more positive in each of the three sectors covered by the Monitor at a headline APAC level. For infrastructure, the net balance reading which captures the proportion of respondents seeing an increase in workloads as against those seeing a decline (compared with the preceding three month period) has climbed from +13% to +29%. As regards private residential, the net balance number has improved from -16% to +1% while for private non-residential it has moved from -13% to +1%. Looking at the projections for the next twelve months, the results for each of the three sectors is firmer than the current reading as shown in Chart 2 and indeed, stronger than the comparable feedback in Q3. Meanwhile, the insight around profit margins (again measured in net balance terms) is not dissimilar, with an improvement in the underlying trend anticipated as the year progresses. For China, the more favourable outlook regarding workloads is, according to respondents, being driven more heavily by an uplift in the infrastructure sector.

At an APAC wide level, tender prices are viewed as likely to rise by around 3% over the coming twelve months but (as elsewhere around the globe), the increase in construction costs is seen as likely to at least match if not exceed this, driven by higher costs for materials as well as skilled labour.

Broad range of factors hampering activity

The challenge to the construction sector from rising material costs is highlighted in Chart 3, with 85% of respondents from the APAC region citing this to be holding back business. This is a similar proportion to those identifying the issue over previous quarters suggesting that there is no easing in these pressures currently. Financial constraints remains the second most important factor raised by contributors (as in Q3) while labour related matters, both at a general and skill level, continue to be heavily cited. Skilled trades and Quantity Surveyors are the areas where the shortages appear most visible. Despite this, the rise in business activity anticipated over the year ahead is seen as likely to result in an increase in recruitment in the construction industry, with the forward looking headcount net balance coming in at +20%. The Philippines, New Zealand and Australia have the strongest reading in this regard (+65%, +63% and +59% respectively) with the feedback for Singapore, India, Hong Kong and China also pointing in the same direction, albeit to a somewhat lesser degree.

Chart 1: Construction Activity Index by Country

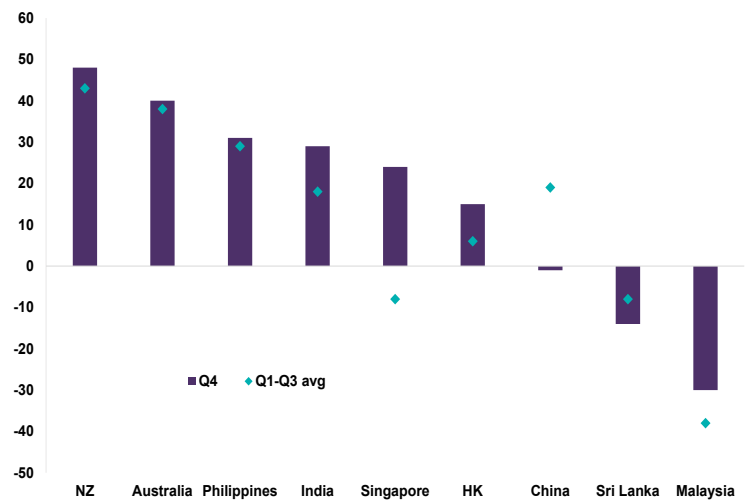


Chart 2: APAC Workloads and Profit Margins

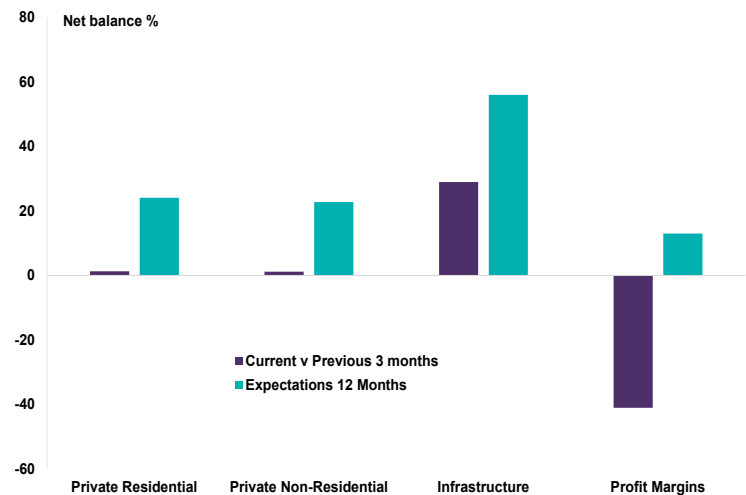
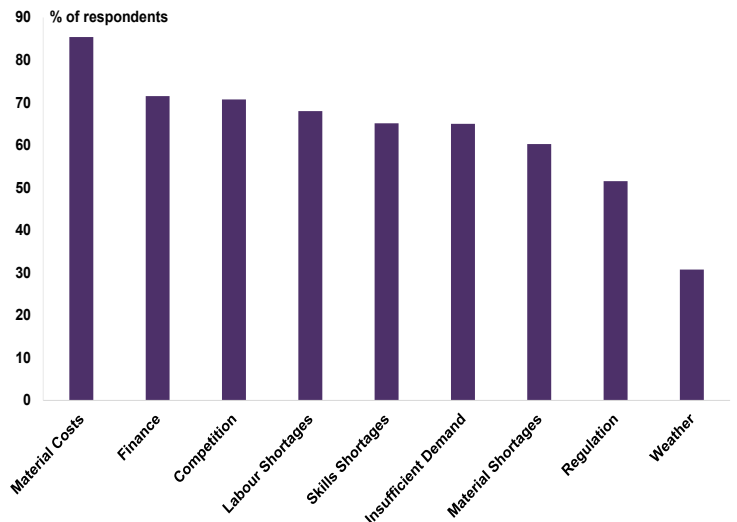


Chart 3: Factors holding back activity



Regional Comments from Survey Participants in Asia Pacific

Australia

Federal and state government policy/ conflict. - *Adelaide*

Shipping Costs. - *Brisbane*

Supply / lead times on materials. - *Brisbane*

Government slow to open interstate borders resulting in shortages or delays in materials. - *Brisbane*

Interruptions to material supply chain, labour and skilled worker shortage, regulation reform. - *Melbourne*

Covid constraints and social distancing remain a productivity factor. - *Hobart*

Covid lockdowns and industry shutdown in Melbourne!. - *Melbourne*

Confidence is still buoyant. - *Perth*

Labour and materials shortages are the largest factors. - *Perth*

Tender prices from contractors have been very high vs normal pre(Covid)-tender expectations. - *Perth*

Over regulation of small refurb residential projects with Design & Building Practitioners Act. - *Sydney*

Changes to NSW Building Regulations are assisting better quality building companies. - *Sydney*

Due to the pandemic lockdown adopted by Federal Govt, there is a reduction in immigration and staff. - *Sydney*

Covid is still a major factor blocked the construction market. - *Sydney*

Covid restrictions resulting in resource shortages, both labour and materials. - *Sydney*

Over-heated market in infrastructure in NSW and Victoria. - *Sydney*

China

Planning and government control measures are significantly more stringent, and approvals for new projects are basically difficult to obtain, resulting in projects that cannot be launched or become smaller in scale. - *Beijing*

Cash flow from developers. - *Beijing*

The new epidemic and economic situation have a huge impact on the construction market. - *Beijing*

Affected by the epidemic, the strengthening of material supply and on-site supervision may affect the progress of project investment. - *Beijing*

Epidemic and rising prices of building materials. - *Beijing*

The construction market cannot proceed smoothly due to the

epidemic. - *Changsha*

Epidemic, economy, policy orientation. - *Chengdu*

1. In the cold winter of the real estate industry, sales are extremely unsatisfactory! 2. Rising material costs due to environmental protection reasons. - *Chengdu*

Change of government policy and regulation. - *Guangzhou*

There is a lot of room for market upgrading and transformation, and there is a shortage of professional talents. The business capabilities of construction enterprises need to be strengthened. - *Guangzhou*

The advancement of digitization and informatization has brought about large-scale changes. - *Guangzhou*

Competitors of large enterprises have great influence on the market, and disorderly competition of small enterprises. - *Haikou*

New energy projects such as wind power, photovoltaics, biomass, and energy storage have been launched relatively quickly, and investment in combined source and grid storage and multi-energy complementary projects is encouraged. - *Hohhot*

The continuation of the epidemic will have a relatively large impact on the recovery of construction market costs and demand. - *Shanghai*

Pandemic control situation. - *Shanghai*

Oversupply. - *Shanghai* Increased risk of cost impact from imported materials. - *Shenzhen*

Epidemic, transportation costs, shortage of skilled workers.. - *Weihei*

The epidemic has been repeated, and the overall economy is not very good. - *Wuhan*

Environmental Remediation, Triangular Debt. - *Yibin City*

Raw materials and labor have a direct impact on project costs. - *Zhengzhou City*

Hong Kong

The electricity shortage in mainland China.

Weak investment and drain-off emigration in Hong Kong retard the recovery of property construction.

Covid.

Brain drain.

Material price, shortage of skilled labour, shortage of professional engineers, surveyors.

Shortage of Land supply.

Inflation.

India

Covid fluctuations, policy changes and weather conditions. - *Agra*

Fuel prices increase affected the basic price cost of all construction materials. - *Bengaluru*

Financing constraints. - *Bengaluru*

Covid restrictions, shortage of skilled labour, material shortage, inconsistency in material. - *Bengaluru*

High inflation and low demand. - *Chennai*

The effect of pandemic and repeated wave and disturbance. - *Chennai*

Lack of skilled supervisor/ managers in construction industry is the biggest impediment in construction. - *Delhi NCR*

Uncertain demand situation due to COVID. - *Mumbai*

Exorbitant and irrational increase in material prices. - *Mumbai*

Regulatory approvals are not timely. - *Pune*

Malaysia

Uncertainty of the government rules and regulation in relation to pandemic control. - *Kuala Lumpur*

The current Covid 19 pandemic has greatly impacted the construction industry here. - *Kuala Lumpur*

New Zealand

Covid 19 lockdowns and restrictions. - *Auckland*

Supply chain issues. Hardening of contractual thinking and negotiating. - *Auckland*

Resources, Covid, material supply & cartage. - *Christchurch*

Transport of materials to New Zealand is causing delays. - *Hamilton*

Phillipines

Longer payment cycles as a result of pandemic versus the pre-pandemic period. - *Makati*

High cost of materials and skilled workers. - *Manilla*

Singapore

Shortage of manpower

Labour shortages

Increase in prices for construction cost due to labour shortage, material cost increase & risk

Sri Lanka

1. Devaluation of local currency with inability to predict trend 2. High cost of logistics. - *Colombo*

Europe: Construction output still rising firmly across the continent although skills/labour shortages appear to worsen

The European construction market continues to see a solid rise in output according to the latest GCM feedback, with the private residential sector again reported to be strongest area of growth. That being said, nearly three-quarters of respondents across the continent now cite shortages in skills and labour (alongside existing challenges around material cost rises), which could begin to weigh on activity more heavily going forward.

Construction Activity Index remains comfortably positive, but moderates slightly

At the pan-European level, the CAI reading softened marginally in Q4, posting a figure of +29 compared with +34 in both Q3 and Q2. Nevertheless, the latest return is still consistent with a solid pick-up in output overall and remains a little above the global average of +23. Chart 1 shows the breakdown at a country level, with the Netherlands continuing to display the strongest momentum across all European nations covered. What's more, the Netherlands exhibits the second strongest CAI reading worldwide and has been amongst the front runners in each of the last three quarters. Alongside this, Italy saw a noticeable improvement during Q4, with the CAI rising to +38 from +27 in the previous quarter. The same could also be said for France, where the CAI increased to +31 from +16 last time. Elsewhere, all European markets included in the Monitor exhibit positive readings for the headline index (to a greater or lesser degree), albeit feedback is much flatter in Cyprus at this point in time.

Private residential still anticipated to deliver the strongest growth

During Q4, twelve-month expectations were tempered slightly across most sectors relative to Q3 (displayed in Chart 2). Still, a strong net balance of +49% of European based respondents foresee private residential workloads rising over the year to come. At the country level, the Netherlands, Switzerland, Germany and Romania all returned particular upbeat expectations regarding the outlook for residential output. Meanwhile, expectations were left largely unaltered across the private non-residential sector compared to Q3, with a net balance of +40% of respondents anticipating a positive trend in output over the year ahead. Within this, Switzerland, the Netherlands, Italy and France all posted especially firm expectations readings across the sector. For infrastructure, twelve-month expectations have now been trimmed in each of the last two quarters, moderating from a net balance of +52% in Q2 to +28% in Q4. Even so, this still signals reasonably solid growth in infrastructure output ahead.

Skills and labour shortages appear to worsen

Across Europe in aggregate, 90% of contributors singled out the cost of materials to be an impediment on construction activity in Q4, up from an already elevated 82% last time. Moreover, with twelve-month forecasts for total material costs rising to 8.8% (from 8.2% previously), this issue seems set to continue to be a significant burden going forward.

Alongside this, 73% of contributors report that skills shortages are hampering the market, an increase on 66% reporting such difficulties last quarter. Looking into the details, skilled trades seem to be in particularly short supply, while a majority of respondents also cited a lack of project managers. Similarly, 73% of contributors see labour shortages in general as an obstacle to construction activity. As a result, both skilled (+5%) and unskilled (+5%) labour costs are projected to rise sharply over the next twelve months.

Chart 1: Construction Activity Index

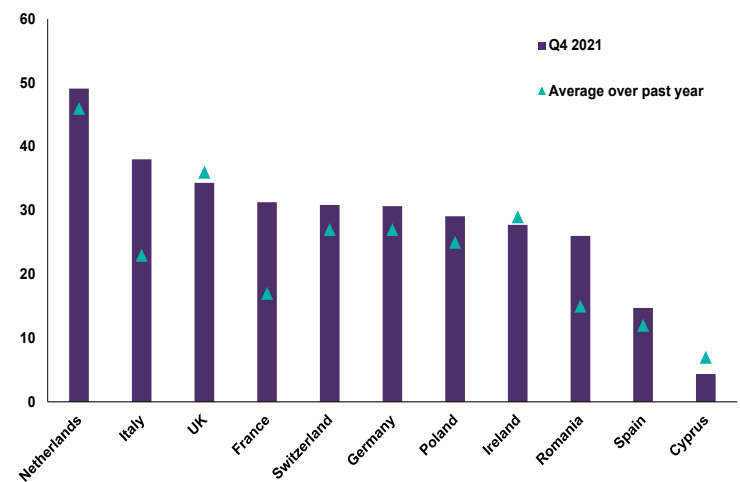


Chart 2: 12-month expectations

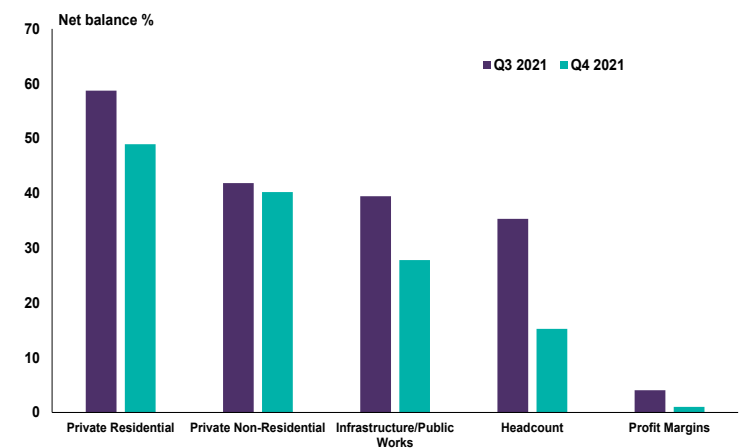
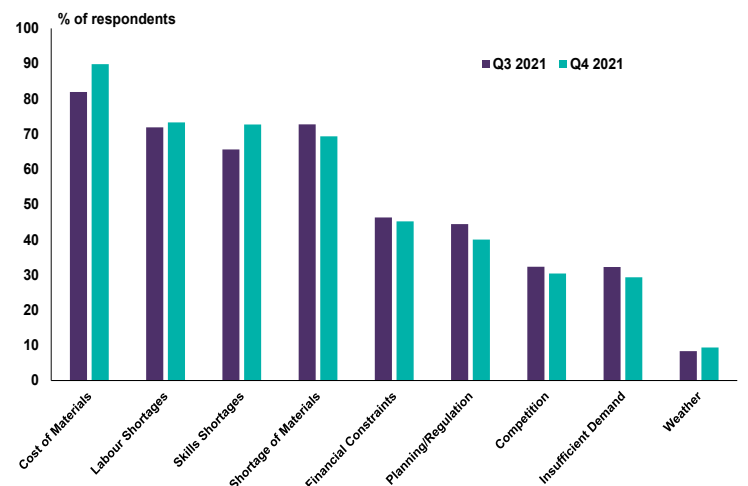


Chart 3: Factors limiting activity



Regional Comments from Survey Participants in Europe

Belgium

Slow issuance of permits (up to 5 years!)- Brussels

Cyprus

Primary impact is fallout from Brexit - material availability and material cost, plus shipping cost. - *Limassol*

France

Lack of maturity of the French market and fear of change. - *Paris*

Germany

A lack of skilled workers, a lack of innovation banks, a lack of courage to make changes. - *Hamburg*

Contractors dictate time schedules, so that they are more relaxed. - *Hamburg*

Housing shortage, effect of Covid on office demand. - *Hamburg*

Building permissions needing more time than before the pandemic. - *Munich*

Ireland

Regulations due to Brexit affects interaction with UK supply chain involved in European projects. - *Cork*

Increased costs and shortages of labour. - *Dublin*

Slow getting planning approval. - *Dublin*

Shortage of timber due to licencing issues with regard to harvesting. - *Munster*

Demand for skilled labour and also the increase in paperwork regulations are obstacles. - *Sligo*

Italy

Energy price increases can be even more relevant than building materials themselves. - *Milan*

Lack of certainty of the project approval process with public sectors. - *Milan*

Luxembourg

Rising prices of materials and land. - *Luxembourg*

Netherlands

More and more freelancers and with it a decline in work ethic . - *Amsterdam*

Production too little available due to shortage of material and personnel/subcontractors. - *WTC Schiphol*

Poland

Increasing bureaucracy, increasing taxes, imposing "sanitary" restrictions. - *Warsaw*

Lack of resources. - *Warsaw*

Portugal

Low wages discourage people to enter the construction industry. - *Lisbon*

Romania

Quality control in construction . - *Bucharest*

Spain

Labour shortage coupled with distances to work centers and poor infrastructure. - *Guadalajara*

Rising energy costs, aging skilled labour and a sudden upturn in demand. - *Madrid*

High volume of work, great expectations of business and profitability. - *Madrid*

Cancellation of urban plans and regulations. Urban plans and regulations not adapted to demand. - *Marbella*

Lack of agile response from the administrations to grant licenses. Too much time to condemn them. - *Valencia*

The stagnation and inefficiency of local administrations when granting licenses. - *Villena*

Switzerland

Covid pandemic will impact worker/ cross border mobility and drive up costs. - *Bern*

Planning amongst parties due to uncertainty of lockdown or similar restrictions, people hesitant. - *Zurich*

United Kingdom

Main areas are materials and skilled labour shortages driven by pent up demand. - *Liverpool*

Ability for contractors to tender works given the acute skills shortage. - *London*

Projects are taking longer due to covid site restrictions, labour and materials shortages. - *London*

Middle East and Africa: Forward looking indicators remain upbeat across much of the region

The Q4 survey feedback across the Middle East and Africa (MEA) points to a continued increase in headline activity over the quarter, with forward looking indicators signalling further solid growth to come in the year ahead. Whereas the outlook for profit margins remains subdued across much of the world, the latest results for MEA (in aggregate) are consistent with a more noticeable improvement emerging during 2022.

Construction Activity Index edges higher

Across MEA in aggregate, the CAI improved for a fifth successive quarter, posting a reading of +20 in Q4, up from +18 previously. When viewed at the country level, Saudi Arabia continues to record the strongest CAI reading compared to all other nations tracked (both within the region and across the globe), with the latest figure rising to +60 from an already robust +54 last time. Alongside this, Nigeria saw a significant improvement in Q4, as the CAI picked up to +38 from +17 beforehand. Meanwhile, the UAE also returned a stronger CAI reading in the latest survey period, registering a value of +19 compared to +10 in Q3. Qatar is now the sole MEA market tracked where the CAI remains negative, although, at -7, this is only marginally in contractionary territory.

Headline twelve-month expectations point to solid growth

Continuing to lead the way at the aggregate level, a net balance of +52% of survey participants expect workloads to rise within infrastructure over the coming twelve months (Chart 2). When disaggregated, Saudi Arabia (net balance +85%), Nigeria (+57%) and the UAE (+56%) all display the firmest growth expectations for the sector. Nevertheless, infrastructure workloads are now anticipated to rise to a greater or lesser extent across all nations covered throughout the region. Back at the headline level, respondents also foresee a solid increase in private non-residential workloads, posting a net balance of +38%. For the residential sector meanwhile, the latest net balance of +32% is also indicative of strong growth in output in 2022, with this measure remaining in a tight range of between 30% and 34% in each of the past four quarters.

At the same time, employment expectations are also comfortably positive for MEA as a whole. Looking at the country level data, this positive outlook is again led by Saudi Arabia, while Bahrain also exhibits a firmly positive assessment regarding the construction employment picture in the year to come. Interestingly, while profit margins are expected to see little in the way of an uplift across much of the globe over the coming year, projections are noticeably higher within MEA. Indeed, a headline net balance of +23% of contributors now envisage margins widening in 2022, up from a reading of just +6% previously. That said, this is not the case for all nations, with Chart 3 showing that growth is set to be contained to Saudi Arabia, Nigeria and the UAE.

Financial constraints and material costs weigh on activity

83% of survey participants within the region cite financial constraints to be weighing on activity (well above the global average of 63%). Also negatively impacting the market, 81% of contributors cite material costs as a hindrance. Meanwhile, labour shortages appear to be much less of a problem within MEA, with 42% of contributors citing issues around sourcing labour (comfortably below the global reading of +66%). Such shortages appear least impactful in the UAE, Nigeria and South Africa, where a third of contributors or less report inadequate supply of labour. That said, some markets are experiencing different conditions, with three-quarters of respondents in Saudi Arabia for instance feeling there is in fact a shortage of labour.

Chart 1: Construction Activity Index

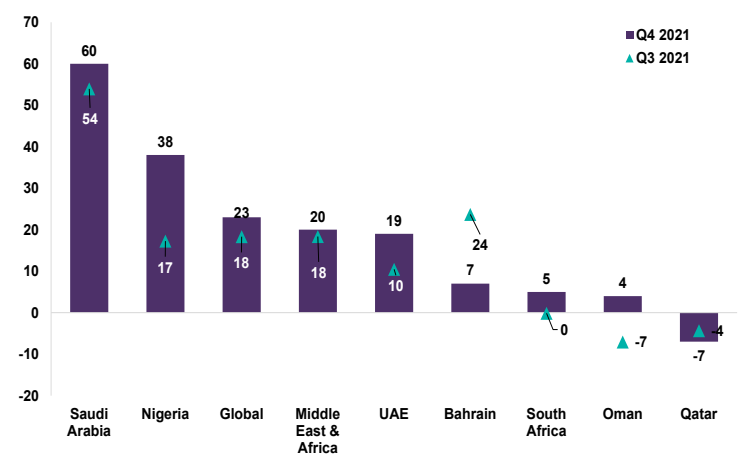


Chart 2: 12-month expectations

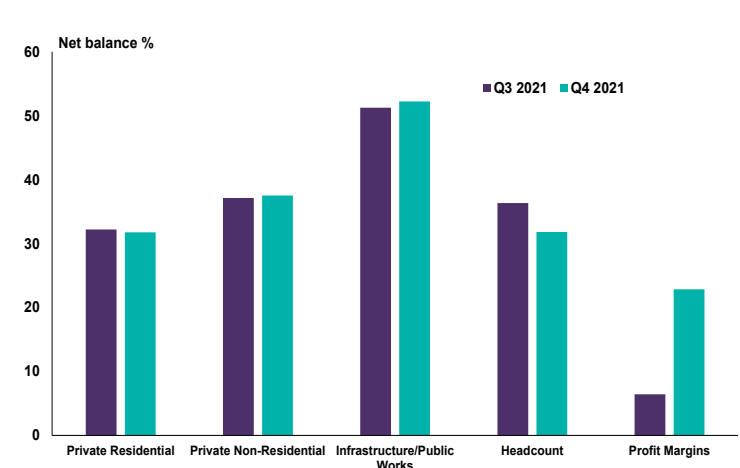
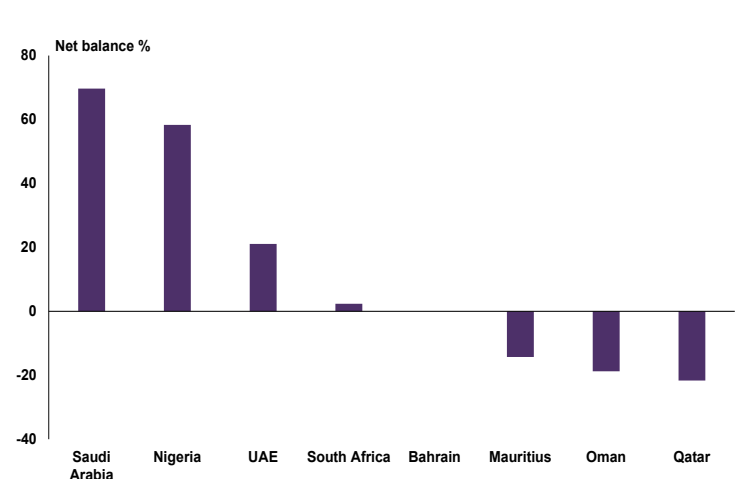


Chart 3: Profit margin expectations by country



Regional Comments from Survey Participants in MEA

Bahrain

Delays in procurement of materials from overseas due to shortage of shipping containers. - *Manama*

Confidence to the market was evident but Omicron and the VAT increase has dampened the enthusiasm. - *Manama*

COVID-19, shortage of skills for current mega projects in KSA. - *Manama*

Competition, fear of loss of critical project which the competitors may use for bidding/tendering. - *Tubli*

Ghana

The market is generally slow as a result of the COVID-19 pandemic. - *Accra*

Capital constraints and cost of materials (inflation). - *Accra*

Kenya

Effects of COVID-19 pandemic & political climate. - *Nairobi*

Kuwait

Uncertainty in government decisions. - *Kuwait*

Unavailability of skilled workers. - *Kuwait city*

Malawi

Inflation, rising cost of fuel due to associated landing import costs and subsequent material costs. - *Blantyre*

Mauritius

Increased freight charges & shortage of skilled labour impacting heavily on construction cost. - *Port Louis*

There is still a slump due to the pandemic, and lack of visibility. - *Quatre Bornes*

Insufficient demand and lack of government incentives. - *Rose Hill*

Nigeria

Adaptability to practices within Nigeria (too many products, not standardized). - *Ikoyi*

Government policies is the bane of many factors affecting construction markets in Nigeria. - *Mowe*

Financial constraints and statutory bottlenecks. - *Yaba*

Oman

New tax regulations. - *Muscat*

Oman started to apply VAT recently, so all the cost rates are going up. - *Muscat*

Labour scarcity, increase in material price across sectors are the major reasons. - *Muscat*

Qatar

Difficulty in finding qualified professional staff, engineers and other technical staff. - *Doha*

Many major Construction projects are awarded to the JV partners nowadays need to focus in the future. - *Doha*

In the next 12 months the up coming FIFA World Cup 2022 would play a big factor in construction. - *Doha*

Expected reduction in construction activity and the tendency to reduce costs. - *Doha*

Saudi Arabia

Projects are still under master planning stages which does not help the industry to move. - *Riyadh*

Limited resource in KSA is expected to lead to significant inflation in construction related prices. - *Riyadh*

Shortage of Skilled workers due to the volume of the projects in the region. - *Riyadh*

Saudi Arabia is still moving forward aggressively with it's Vision 2030 projects. - *Riyadh*

Shortage of manpower and slow procurement of materials. - *Riyadh*

South Africa

Material supply is a serious problem currently, especially steel products and reinforcing. - *Bloemfontein*

Profit margins are at its lowest, making it impossible to be competitive with tenders. - *Johannesburg*

Preferential procurement, over regulated labour market. - *Johannesburg*

Lack of funding for private developers and barriers to funding. - *Johannesburg*

UAE

Unavailability of skilled labour. - *Abu Dhabi*

Supply chain waiting for clients to pay for them (supply chain) to adopt new technologies. - *Dubai*

Foreign Investments inflow has increased in recent times. - *Dubai*

Material prices rising during projects. Global procurement. - *Dubai*

Lack of funding and shortage in demand. - *Dubai*

Covid restrictions have affected the supply chain, construction progress and productivity. - *Dubai*

Building Construction is almost saturated due to oversupply. There is scope for refurbishments. - *Sarjah*

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 December 2021 with responses received until 20 January 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 2458 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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Responses were gathered in conjunction with the following organisations:



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Institut canadien des
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