

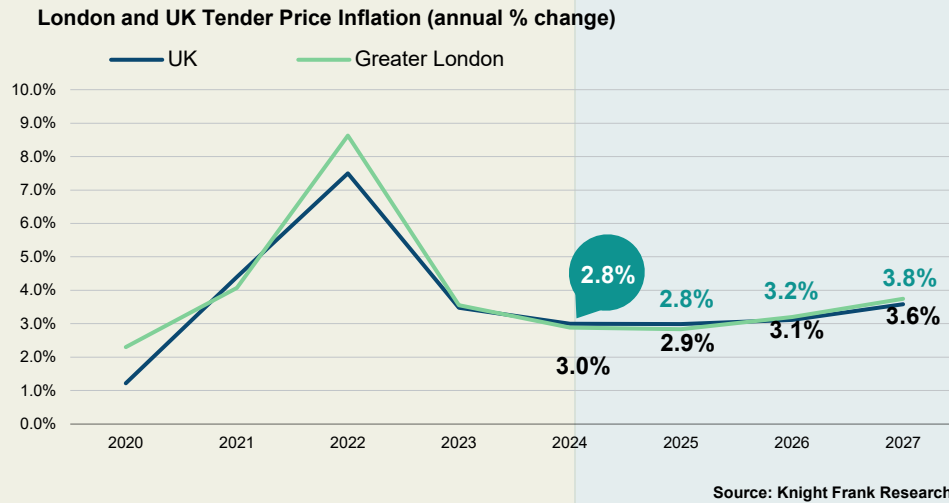
TENDER PRICE INDEX



Key Indices Forecast 2024 Q1

Greater London Tender Price Inflation Forecast 2024

2.8%



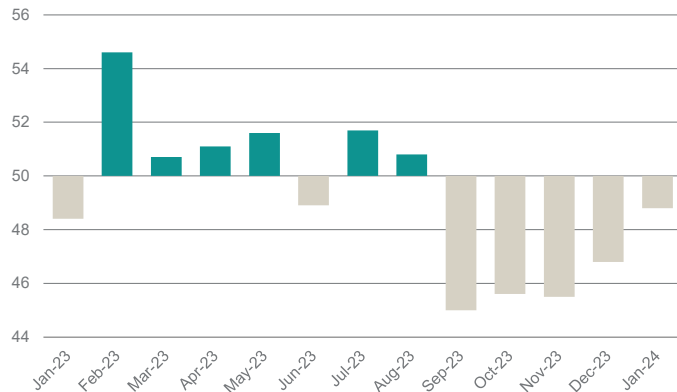
Rising optimism: In January, UK construction firms displayed heightened optimism for future business prospects despite ongoing challenges, such as declining output levels and subdued demand. The S&P Global UK Construction Purchasing Managers' Index rose to 48.8, indicating the highest optimism levels in 2 years, although it remained below the growth threshold of 50.0. While civil engineering and commercial activities showed resilience, house building continued to decline sharply.

Despite cautious hiring practices, firms anticipated increased business activity in 2024, driven by factors like lower borrowing costs and improved consumer confidence. However, challenges persisted with high input costs and subdued demand, particularly in the residential segment, highlighting the industry's cautious yet hopeful outlook for future growth.

Lower forecast for TPI in 2024: We have moderated our forecast for annual tender price inflation in 2024 to 2.8% in London, and 3% for the UK overall. This is due to moderating input and materials price growth and lower shipping costs from supply chains stabilising. However, in the longer-term rising levels of construction activity are expected to lead to wage inflation for key construction sector roles and higher import costs are expected to raise annual tender price inflation to 3.8% in London and 3.6% in the UK by 2027.

UNITED KINGDOM CONSTRUCTION PMI INDEX

Total Construction Activity Index
50 = No change, >50 = Expansory growth, <50 = Contractionary



Source: S&P Global/CIPS

LATEST ECONOMIC DATA

3.8%	▼	Unemployment Rate (%)
5.25%	◄	Interest Rates Policy Rates (%)
4.0%	▼	CPI Inflation (annual % change)
-0.2%	▼	GDP (annual % change)
52.5	▲	UK Purchasing Managers Index
-19.0	▲	Consumer Confidence Index
\$81.34	▼	Brent Crude Oil Prices
5.8%	▼	Average Earnings (3m annual % change)
-3.3%	▼	Producer Prices (Input Prices)

Source: The Office for National Statistics (arrows reflect annual change)

MATERIAL COST "BIG MOVERS"

Concrete steel bars	-24%
Fabricated structural steel	-22%
Particle board	-17%
Imported sawn/planed wood	-12%
Gravel, sand, clays & kaolin	-12%
Builder's woodwork	1%
Natural & artificial stone	2%
Cement	4%
Pre-cast concrete	6%
Ready-mixed concrete	15%

Source: The Office for National Statistics (December 2022 – December 2023)

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