

Tender Price Index

Key Indices Forecast Q3 2024



IMPACT FROM ISG COLLAPSE NOT YET SEEN

ISG filed for administration on the 20th of September, impacting over 2,000 jobs and leaving numerous large construction contracts in limbo. The number of construction firm insolvencies over the past year has been in the thousands, but not since Carillion in 2018 has the industry seen a collapse of this scale.

The company held more than £1bn in government contracts, including key work on behalf of the Ministry of Justice to expand Britain's overcrowded prisons. In London, approximately 1.5m sq ft of office space has been affected by the collapse, ranging from projects where ISG was the primary contractor to those where the firm was overseeing the fit-out. The full impact is yet to be realised, with a knock-on effect expected in the business supply chain, as smaller firms are at risk of not receiving payments and completion deadlines missed as projects are stalled.

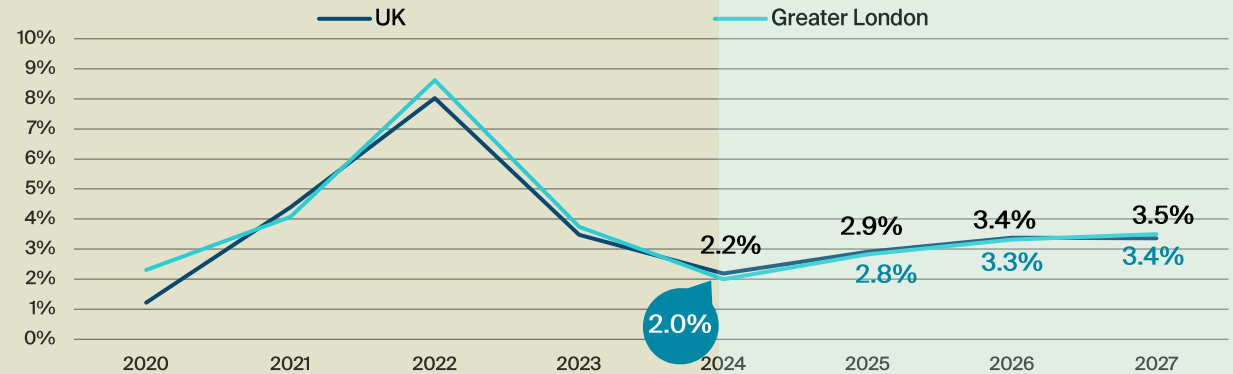
LABOUR TO FILL SKILLS GAP

Three months into their tenure, Labour has outlined plans to address the construction industry shortfall. They aim to reduce reliance on overseas workers, having revamped the Immigration Skills list and promoting local employment through vocational training and apprenticeships. However, industry experts remain sceptical, arguing that these measures will take too long to address the significant labour gap.

Our forecast for tender price inflation (TPI) in 2024 has eased to an annual rate of 2.0% as continued growth in the sector is combined with an extended period of falling input price inflation. We expect TPI to rise during 2025-27 as skill shortages in the sector place pressure on wages to rise. By 2028, TPI is expected to be rising by an annual rate of 3.4% in London and 3.5% across the UK.

Greater London Tender Price Inflation Forecast 2024

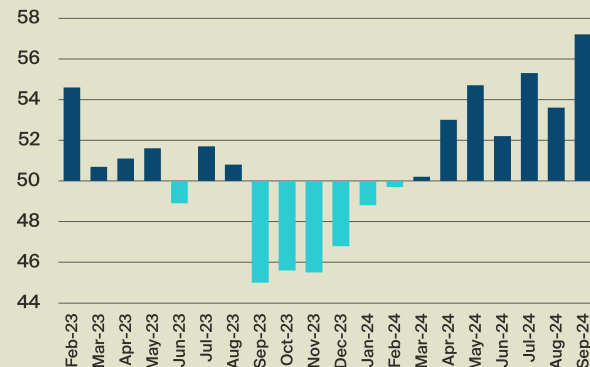
2.0%



UNITED KINGDOM CONSTRUCTION PMI INDEX

Total Construction Activity Index

50 = No change, >50 = Expansionary growth, <50 = Contractionary growth



Source: S&P Global/CIPS

LATEST ECONOMIC DATA

4.0%	▼	Unemployment Rate (%)
5.00%	▼	Interest Rates Policy Rates (%)
1.7%	▼	CPI Inflation (annual % change)
1.0%	▲	GDP (annual % change)
51.7	▲	UK Purchasing Managers Index
-21.0	▲	Consumer Confidence Index
\$74.76	▼	Brent Crude Oil Prices
3.8%	▼	Average Earnings (3m annual % change)
-2.3%	▼	Producer Prices (Input Prices)

Source: ONS (arrows reflect annual change)

MATERIAL COST "BIG MOVERS"

Gravel, Sand, Clays and Kaolin	-11%
Fabricated structural steel	-7%
Concrete reinforcing bars	-4%
Natural and Artificial Stone	-2%
Builder's woodwork	-1%
Imported plywood	-1%
Cement	1%
Imported sawn/planed wood	1%
Pre-cast concrete	3%
Ready-mixed concrete	4%

Source: ONS (Aug 2023 - Aug 2024)



Paul Prior
Partner, Cost Consultancy
paul.prior@knightfrank.com



Bryndis Sadler
Senior Research Analyst
bryndis.sadler@knightfrank.com



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