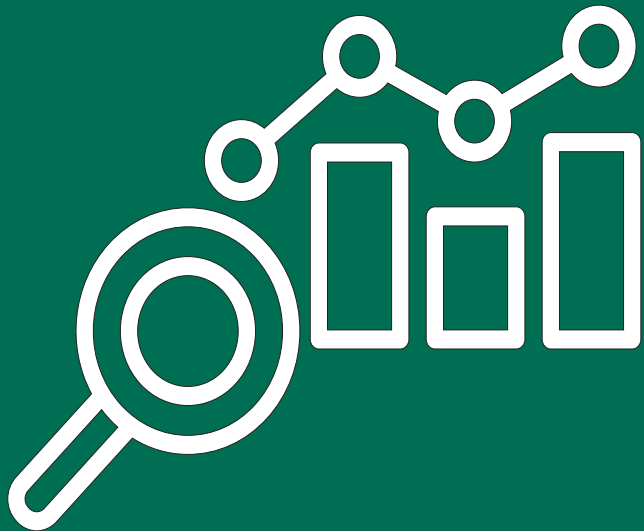


| Market Insight |

Summer 2025

// Slow growth tests the sector but stability remains in reach //



jackson|coles

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The Hop Exchange for Peer Group

// Executive Summary //

In our view, the UK construction market continues to feel sluggish, and we anticipate this subdued environment persisting throughout the remainder of 2025.

Activity is being held back by a combination of high interest rates, extended planning delays, and general hesitancy around investment decisions.

Project viability remains a major concern across the board. In our experience, high construction costs—although no longer rising sharply—are still placing pressure on development appraisals, especially in sectors where end-user demand or values are uncertain. More clients are pausing or slowing down schemes, or revisiting project scopes to maintain feasibility.

We are continuing to see signs of stress in the supply chain, with insolvencies still prevalent — particularly among smaller contractors and subcontractors. This reinforces the importance of robust due diligence and ongoing financial monitoring throughout procurement and delivery.

In our opinion, financial stability needs to be a core part of risk management in the current climate.

Contractors remain cautious, and we're seeing growing reluctance to take on risk-heavy or speculative projects. Many are including higher risk allowances in their pricing or are choosing not to tender at all where the project conditions are unfavourable. From our discussions, there's a clear preference for more balanced risk-sharing on projects.

Ongoing global uncertainties—particularly around trade barriers, shipping disruptions, and commodity markets—are still feeding through into UK project risk profiles. In our opinion, this is creating a layer of hesitation for clients and investors, especially where projects rely heavily on imported materials or longer global supply chains.

Mark Loveland

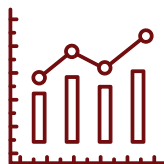
Cost Consultancy Partner

July 2025



// Economic Outlook //

GDP



- The UK economy grew by **0.7%** in Q1 2025 outperforming other G7 nations.
- April 2025 saw GDP **contract** by **0.3%**, a greater drop than many economists had forecast.
- This **contraction** has been attributed to uncertainty caused by **US tariffs** and the impact of increased employer's national insurance contributions.

Inflation



- UK Inflation currently sits at **3.6%** with expectations that it will remain **above 3%** in the short to medium term.
- The Bank of England has maintained its **base rate** at **4.25%**.
- Expectations are the base rate will **reduce** to **3.75%** by the **end of 2025**.

Annual Forecasts

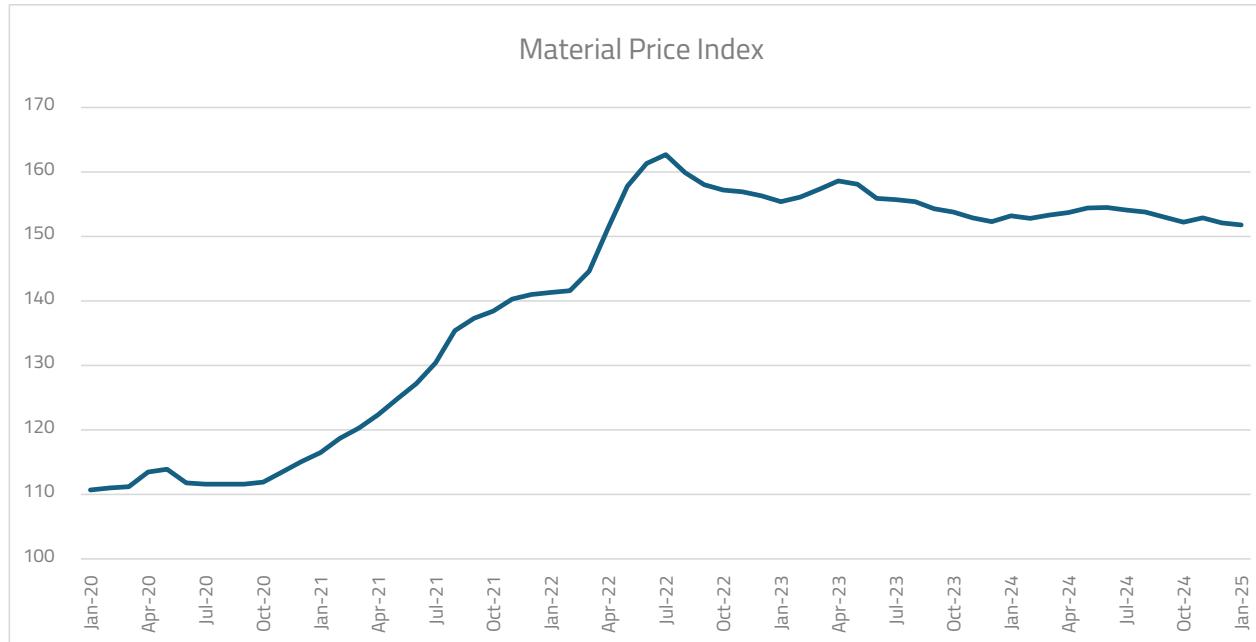


- The Bank of England has revised its **growth** forecast **down** to **0.75%** for 2025, acknowledging uncertainty around international trade.
- The International Monetary Fund is projecting **1.2% growth** in the UK for 2025.
- The Office for Budget Responsibility has **halved** its 2025 **growth** forecast to **1%**.



Material Review

Material prices are circa. 40% higher than pre-covid levels.



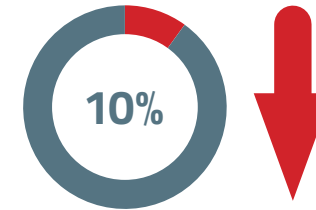
Source: Department for Business and Trade

While headline material prices have stabilised over the past year, they remain approximately 40% above pre-COVID levels, placing **sustained pressure** on project **budgets**. From our perspective, this plateau masks **ongoing volatility** beneath the surface, particularly for certain imported materials and specialist components.

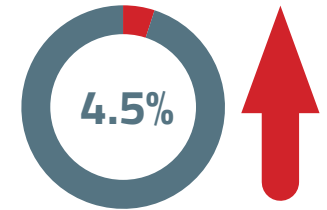
Although the major price spikes seen in 2021–2022 have eased, the market is far from predictable. Key **commodity prices** - especially steel, aluminium, timber, and cement-based products - are still **sensitive to fluctuations** in global supply chains and currency movements. Notably, the recent US tariff announcements and wider geopolitical disruptions are influencing availability and cost trends beyond just the UK market.

Key material movements over 2024:

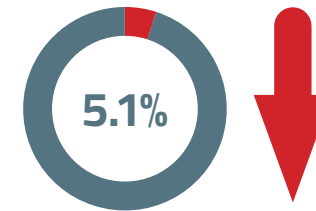
Structural Steel



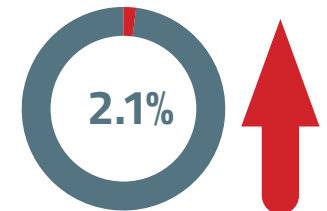
Imported Timber



Reinforcement Bars



Ready-Mixed Concrete

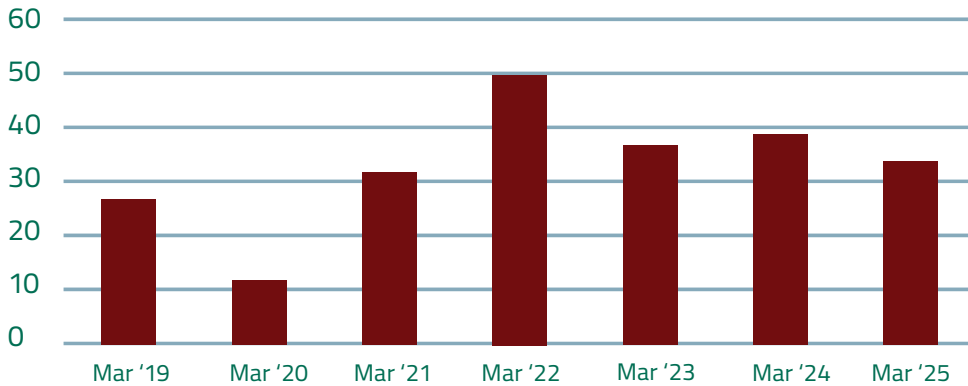


Looking forward, we advise clients to:

- Build material inflation contingencies into cost plans, even in a relatively flat market, particularly for volatile categories.
- Maintain proactive procurement strategies, including early engagement with suppliers and exploring local or European alternatives where feasible.
- Consider pre-ordering or securing key packages early in the programme to mitigate supply chain risk—especially for large, complex, or phased projects.

// Labour Market //

UK Construction Job Vacancies (thousands)



Source: Office for National Statistics

The UK construction labour market remains tight, with vacancy levels continuing to sit above pre-COVID norms. Whilst the number of vacancies has plateaued over the past 12 months, this represents a stagnation rather than a recovery, suggesting that underlying labour shortages remain unresolved.

In our experience, clients are encountering persistent challenges in securing skilled trades, particularly in MEP, drylining, cladding, and groundworks. The outlook for labour availability is further complicated by a number of structural issues:

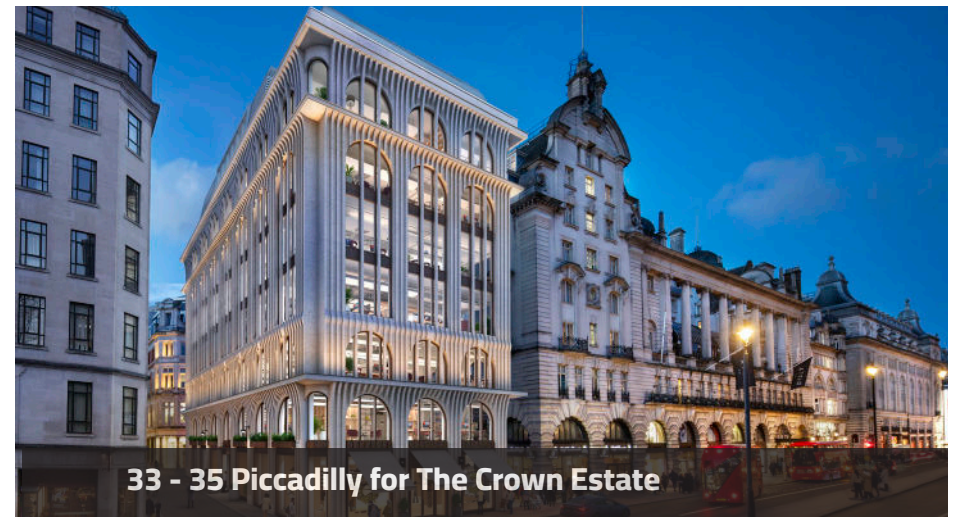
- **Demographic pressure**, with an ageing workforce and fewer younger entrants into core trades;
- The lingering effects of **Brexit**, which continue to restrict the availability of EU labour, particularly in lower-paid roles.
- **Wage inflation**; despite stabilising somewhat since the peaks of 2022–23 upward pressure remains.

Construction Vacancies are a good barometer of capacity in the UK Construction Market. The greater the number of vacancies, the greater the gap in resource and capacity in the market.

Looking ahead, we believe that economic recovery later in 2025 could expose **latent labour shortages**, particularly if multiple sectors (e.g., housing retrofit, infrastructure, and data centres) scale up simultaneously.

For clients, this reinforces the importance of:

- **Early engagement** with supply chain partners, especially for labour-heavy trades.
- Considering **procurement** routes that allow greater **flexibility** in labour sourcing (e.g., enabling trade contractor packages earlier in the programme).
- Factoring **realistic programme** durations into tender and contract planning, acknowledging that labour risk is now a key driver of both cost and delay.



// Tender Price Index //

Jackson Coles Year on Year Tender Change

Year	%
2025	3.10%
2026	3.40%
2027	3.50%

We continue to see modest levels of tender price inflation. This is reflective of a construction market that remains broadly flat in terms of workload but is underpinned by cost and risk pressures.

Our forecast for 2025 stands at 3.10% with further increases expected through to 2027, rising to 3.50%. These levels of inflation are relatively low compared to the peaks seen in 2021–2022 but are still materially significant, particularly on larger or longer-term projects. Contractors are also becoming more selective, often focusing their efforts on fewer, better-quality opportunities.

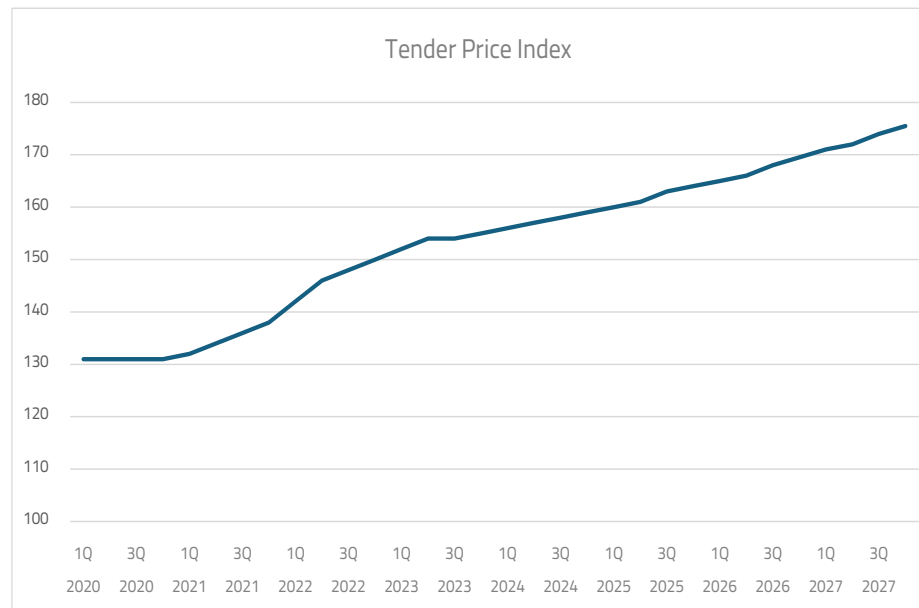
Against this backdrop, clients who are open to more collaborative procurement approaches are securing better engagement from the market.

In our view, inflation forecasts need to be interpreted carefully. While headline rates are modest, the real cost impact can vary considerably by sector, geography, procurement route, and project risk profile.

Sustained inflationary pressure is not being driven by increased demand, but rather by persistent labour cost increases in certain trades, supply chain fragility, and contractors pricing in greater risk allowances to protect against uncertainty, programme overruns, or insolvency exposure. This risk aversion is translating into **inflated pricing** on projects with **complex logistics, uncertain funding, or poor information**.

We’re seeing a **mixed tendering picture** depending on sector and location. While some projects are attracting competitive interest, others—particularly those with unusual risk or programme profiles—are receiving fewer bids.

We’re also seeing **increased** use of **two-stage** tendering; Design & Build still dominates, but risk transfer needs to be carefully calibrated.



For clients, it’s crucial to:

- Allow for realistic cost planning that includes inflation appropriate to the project profile.
- Consider phased procurement strategies to fix prices earlier where feasible.
- Monitor the market closely, as pricing sentiment can shift quickly with changes in labour availability, global events, or economic outlook.

// In Focus - US Tariffs //



Recent US tariff announcements may not target the UK directly, but global ripple effects could still impact the UK construction sector. The US has reintroduced or maintained tariffs on critical materials like steel and aluminium, which are global commodities and influence prices and availability internationally.

Global material prices (especially for steel, aluminium, timber, glass) may increase due to tighter global supply or redirected supply chains. If other countries divert exports away from the US, competition for supply in Europe (and the UK) could increase.

UK manufacturers may raise prices in line with global trends, even if tariffs don't apply directly.

Tariff announcements often cause shifts in exchange rates, which can increase import costs in GBP terms. Supply chain uncertainty could push UK contractors and clients to invest in more stable domestic or European supply chains.

The UK/US Tariff deal

Steel Tariffs remain largely unchanged (for now). The US continues to apply a 25% tariff on UK steel and aluminium—critical inputs for UK construction. Steel melted outside but processed in the UK could be subject to a higher tariff, creating challenges for UK producers (e.g., Tata Steel) who now rely on imported steel during transition to electric arc furnaces.

The UK steel industry is awaiting clarification on quota levels under the new system, making it difficult for firms to forecast costs or supply availability. The UK was spared from a doubling of tariffs to 50%, but the White House warned this could change depending on the terms of a deal.

Ongoing tariff pressure may limit supply options and increase costs for high-grade structural steel and metal-based construction products, affecting lead times and pricing.

What to watch

- The outcome of further discussions between the UK and US on the tariff deal.
- Developments in US-China trade tensions (which often drive global tariff policies).
- Statements from UK bodies (e.g., CPA, BEIS, Construction Leadership Council) on expected material inflation.



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