OXFORD ECONOMICS

GLOBAL CONSTRUCTION OUTLOOK

March 2024 update

Contact Person

Nicholas Fearnley: nfearnley@oxfordeconomics.com

Outlook Overview

Horizon	Key points	Key risks
Near term 2024-2025	• Global construction activity is forecast to grow 0.9% in 2024 to US$9.2tn. • Residential building will weigh on total construction work done over 2024. The ongoing real-estate downturn in China continues to shape the global narrative into 2024, although we expect a rebound in construction activity over 2025. • Non-residential building activity will fall further over 2024, pulled down by industrial and other building activity. Slow industrial growth (after a surge in 2023 US activity) will also constrain non-residential growth in 2025. • Civil engineering will be a stable growth driver over the near term as governments continue to invest in large infrastructure projects to boost growth and offset losses from weaker economic performance elsewhere.	+ Consumers across advanced economies follow the recent example of the US and run down a significant portion of excess savings accumulated during the pandemic. − Input cost inflation and tighter credit conditions results in a higher degree of demand destruction than assumed. − Central banks are slower to cut policy rates than we anticipate.
Medium term 2026-2028	• Total construction activity is forecast to reach US$9.8tn by 2026, growing at a compound annual growth rate of 3.0% over 2026 to 2028. • The medium-term outlook will be supported by a recovery in residential building activity. • A recovery in non-residential building activity will be supported by an uptick in renovation work in the European Union, the timing of which is being driven by regulations to meet minimum energy performance standards.	+ Governments invest more stimulus in the face of weak economic growth, boosting publicly funded activity. − Geopolitical tensions sees further supply chain disruptions, pushing up construction costs.
Long term 2029-2038	• Total construction activity is forecast to reach US$10.7tn by 2029, growing at a compound annual growth rate of 2.1% over 2029 to 2038. • While the ‘Middle East & Africa’ will be the fastest growing region over the long-run, the countries fastest growing construction markets will all be in Asia, as strong demographic drivers, continued urbanization, and governments willing to invest and work with the private sector support activity levels.	+ Governments increase their commitment to the transition to net-zero. + Decarbonisation targets result in higher building specifications, lifting the cost of construction per m^2. − Chinese economic growth slows more than we anticipate.

Global

We have upgraded our outlook and now forecast global construction activity to grow 0.9% in 2024 to US$9.2tn and 2.9% in 2025 to $9.5tn. The upgrade has largely been driven by improvements to the outlook in the United States, as constructions starts surprised to the upside in Q4 2023, and we have brought forward our expectation of the first Fed rate cut of the cycle to May. We have also lifted our forecast level of activity in Asia, but downgraded the growth date following an upgrade in China's *National Bureau of* Statistics 2023 data. These increases offsets downgrades to our outlook for Europe and the Middle East and Africa.

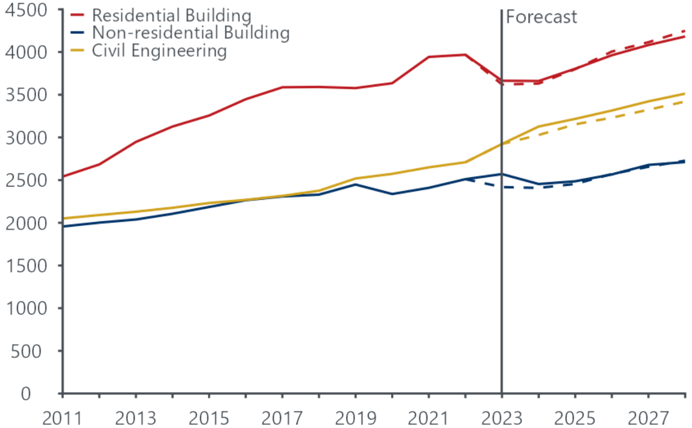
Residential building activity is forecast to fall 0.1% over 2024 to US$3.67tn, before rebounding 3.9% in 2025 to US$3.80tn. The Chinese real estate downturn continues to dominate the global narrative as authorities maintain their clamp down on speculative demand. Our US outlook has improved in response to increasing Homebuilder sentiment and our expectation that the Fed will bring forward the first rate cut.

Non-residential building activity is forecast to fall 4.5% in 2024 to US$2.45tn and rebound 1.3% in 2025 to US$2.49tn. The change to our outlook is largely caused by a higher level of activity in China in 2023 as work was pulled forward. Activity has also been stronger than expected in the US, where investment continued to flow into strategically important manufacturing facilities.

Civil engineering activity is forecast to grow 7.0% in 2024 to US$3.13tn and 2.9% in 2025 to US$3.22tn. Activity continues to be supported by the ongoing wave of public stimulus, including the US's Infrastructure Investment and Jobs Act, the Next Generation EU fund, and the Chinese Government's response to the real estate downturn.

Total construction work done by sector

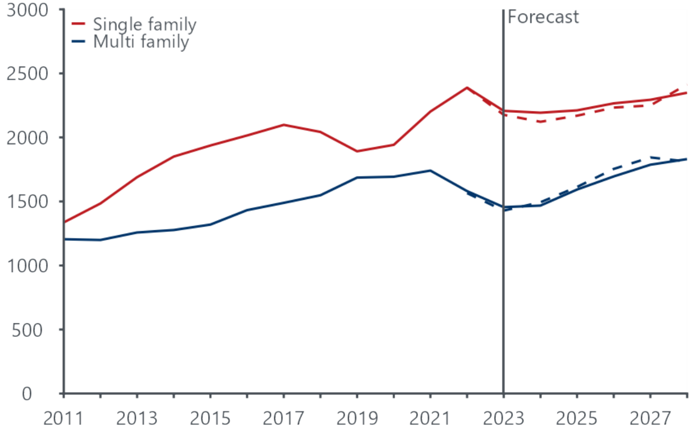
Billion $USD, Constant prices



*Dashed line shows rebased previous forecast

Residential building work done by subsector

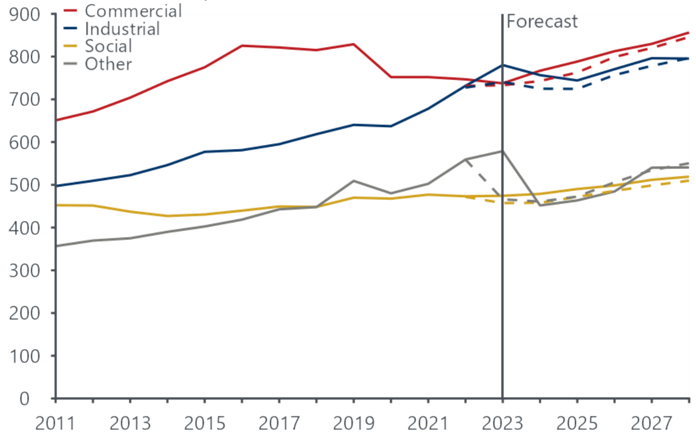
Billion $USD, Constant prices



*Dashed line shows rebased previous forecast

Non-residential building work done by subsector

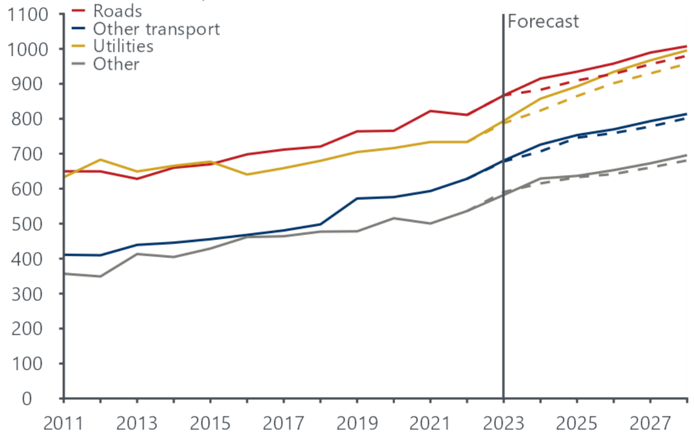
Billion $USD, Constant prices



*Dashed line shows rebased previous forecast

Civil engineering construction work done by subsector

Billion $USD, Constant prices



*Dashed line shows rebased previous forecast

Asia

We have slightly upgraded our outlook and now forecast total construction in Asia to reach US$4.58tn in 2024 and decline a steeper than previous 0.5%. The change in the forecast is largely attributable to historical data revisions made by China's *National Bureau of Statistics* which has led to a higher than previously expected 2023 base. This will see civil engineering activity continue to provide the bulk of support over 2024.

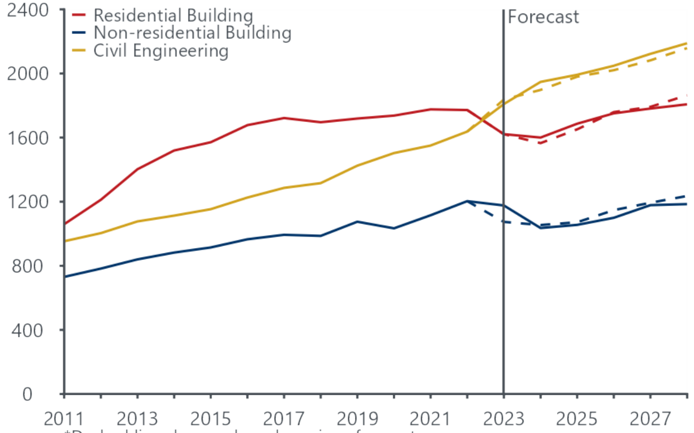
Residential building activity is now forecast to fall 1.3% in 2024 to US$1.60tn. This smaller than previously expected decline is attributable to China, with activity estimated to have progressed faster over 2023 as support to developers helps clear their backlog of projects. Nonetheless, the 2024 decline will continue to be led by falls in China, with authorities maintaining the clamp down on speculative demand. Nonetheless, the rest of the region is expected to continue its recovery, finding support from the release of pent-up demand and from a still large but dwindling backlog of projects.

Non-residential building activity is forecast to fall 12.0% in 2024 to US$1.03tn. The much steeper than previous decline is attributable to upgrades in activity in 2023, despite the large declines in the real estate sector. The pull forward of activity has consequently downgraded the medium to longer term outlook. Key support will stem from commercial building in South Korea, as it continues to make its slow recovery. However, non-residential building will be dragged down by the normalisation of 'other non-residential' and social building as governments fiscally consolidate. The slowing in global demand will continue to see industrial building drop from heightened levels.

Civil engineering activity is forecast to pick up 7.6% in 2024 to US$1.95tn. The slight upgrade in growth is largely due to lower 2023 base effects, and with China continuing to push ahead with infrastructure projects over 2024. Nonetheless, outside of China, Japan and South Korea, growth in the region will be supported by the still large requirement for infrastructure, particularly in Australia, India, Indonesia and Singapore.

Total construction work done by sector

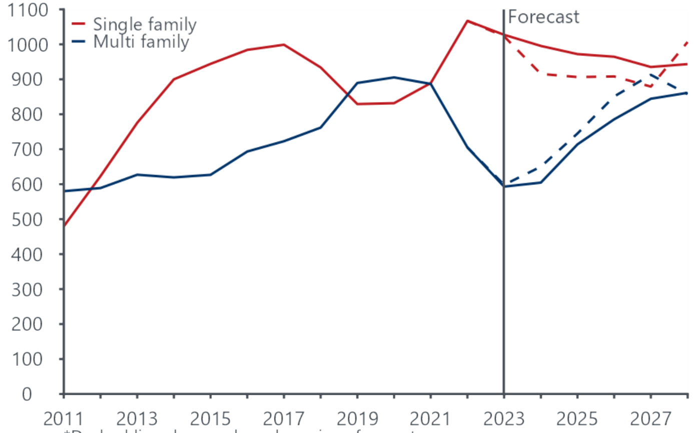
Billion $USD, Constant prices



*Dashed line shows rebased previous forecast

Residential building work done by subsector

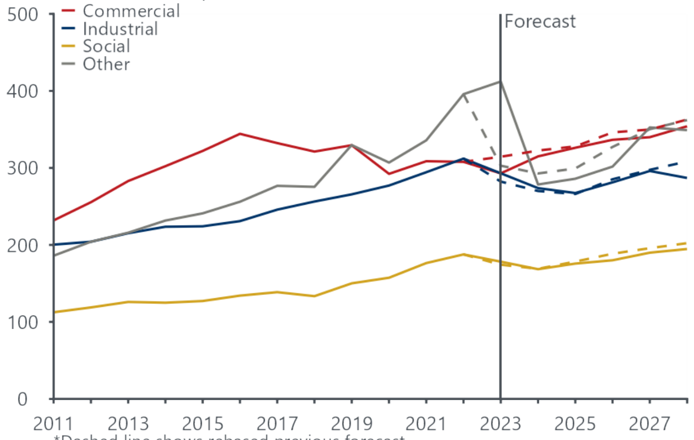
Billion $USD, Constant prices



*Dashed line shows rebased previous forecast

Non-residential building work done by subsector

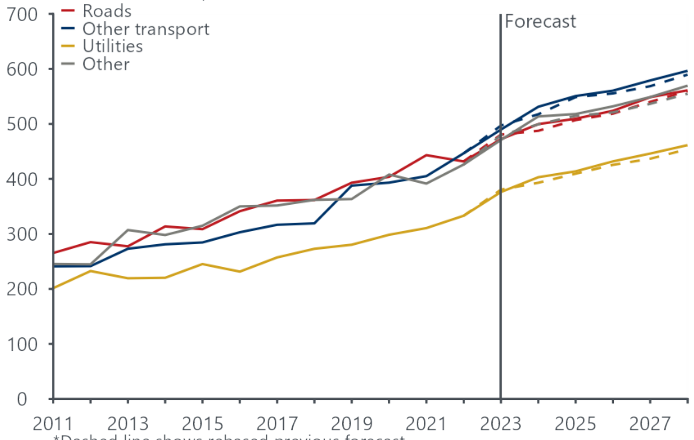
Billion $USD, Constant prices



*Dashed line shows rebased previous forecast

Civil engineering construction work done by subsector

Billion $USD, Constant prices



*Dashed line shows rebased previous forecast

Glossary

- ***Americas*** includes: Argentina, Brazil, Canada, Chile, Colombia, Mexico, Peru, United States of America.
- ***Asia*** includes: Australia, Bangladesh, China, Hong Kong (China), India, Indonesia, Japan, Malaysia, New Zealand, Pakistan, Philippines, Singapore, South Korea, Taiwan, Thailand, Vietnam.
- ***Europe*** includes: Austria, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, North Macedonia, Norway, Poland, Portugal, Romania, Russia, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom.
- ***Africa & Middle East*** *includes:* Algeria, Egypt, Kenya, Kuwait, Morocco, Nigeria, Qatar, South Africa, Saudi Arabia, United Arab Emirates
- ***Value of total work done*** — The value of payments made for work undertaken during the reference period. It includes the cost of labour and materials fixed in place, and excludes the value of land and the value of installed machinery and equipment not integral to the structure.
- ***Residential*** — Refers to the construction of buildings for living in. Typically, this can be further subdivided into single family houses and multi family buildings (apartment blocks, including high-rise buildings). Residential construction is driven by a number of factors including population growth, consumer spending power, investment and house prices.
- ***Non-residential*** — All buildings not created for the purpose of dwelling. Some examples of non-residential construction are office buildings, retail spaces, schools and hospitals, parking garages, hotels and motels, industrial workshops, and factories. Major drivers of non-residential construction are business investment, confidence indicators, and land prices.
- ***Civil engineering*** — Includes the construction of all "non-building" structures. For example, roads and motorways, railways, bridges and tunnels, power grids, and water and sewerage systems. Civil engineering construction (also referred to as "infrastructure construction") is typically less prone to cyclical variation than building construction, and it is usually more dependent on public funds.
- ***Currency conversions*** — All dollar values are in USD unless otherwise stated.

Currency	Exchange rate
Euro per US$	0.95
Pound per US$	0.81
Yuan per US$	6.73
Yen per US$	131.58

- ***Compound annual growth rate (CAGR)*** — is the annualized average rate of construction activity growth over a specified period of time.
- **Due to rounding, the figures in this document may not precisely sum to total values.*

Key Contacts

Dr Nicholas Fearnley
Head of Global Construction Forecasting
nfearnley@oxfordeconomics.com

Alix De Raucourt
Construction Business Development Lead - APAC
adraucourt@oxfordeconomics.com

Nick Stavropoulos
Construction Business Development Lead - Americas
nickstavropoulos@oxfordeconomics.com

Ken Messud
Construction Business Development Lead - EMEA
kmessud@oxfordeconomics.com

Project Team

Graham Robinson
Global Infrastructure & Construction Lead

Jeremy Leonard
Managing Director – Global Industry Services

Timothy Hibbert
Head of Building & Property Forecasting

April Skinner
Senior Economist

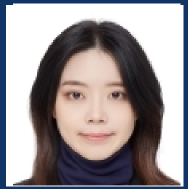
Amy Regan
Senior Economist

Sophia Sultanova
Economist

Dominic McNally
Economist

Matthew Mercer
Economist

Yongshi Mai
Economic Analyst



Ivy Yu
Economic Analyst

EUROPE

Oxford (Headquarters)
Tel: +44 (0)1865 268 900

London
Tel: +44 (0)20 3910 8000

Belfast
Tel: + 44 2892 635400

Milan
Tel: +39 02 8295 2521

Frankfurt
Tel: +49 69 96 758 658

Paris
Tel: +33 (0)1 78 91 50 52

Stockholm
Tel: +46 (0) 8 446 887 65

AFRICA AND MIDDLE EAST

Cape Town
Tel: +27(0)21 863-6200

Dubai
Tel: +971 56 396 7998

AMERICAS

New York
Tel: +1 (646) 786 1879

Philadelphia
Tel: +1 (646) 786 1879

Mexico City
Tel: +52 155 5419-4173

Boston
Tel: +1 (617) 780 2265

Chicago
Tel: +1 (847) 993-3140

Los Angeles
Tel: +1 (424) 303 3449

Toronto
Tel: +1 (905) 361 6573

ASIA PACIFIC

Singapore
Tel: +65 6850 0110

Sydney
Tel: +61 (0)2 8458 4200

Hong Kong
Tel: +852 3974 8842

Tokyo
Tel: +81-(0)3-4588-2798