Market View

Spring 2025

Wishing and hoping

Executive Summary

- The **construction sector contraction has ended** – marginal growth was achieved in H2 2024.
- Low confidence, slow growth and high finance costs are **holding back** commercial and residential recovery in all markets. No recovery before 4Q 2025.
- The **timing of public investment** in building is dependent on the Comprehensive Spending Review and local government devolution.
- A **weak future work pipeline** is a cause for concern
- Residential development in cities is **pivoting to low-rise schemes** to counter Building Safety Regulation delays.
- **Investment in infrastructure** networks set to jump as Ofwat confirms big expansion in water programmes.
- Inflation forecasts for buildings and civils infrastructure **downgraded** as future pipeline weakens.

Construction markets are on the turn, but progress is painfully slow. However, many market indicators are flashing red, and sustained recovery is by no means certain. Whilst the economy flatlines and the government finalises it's spending plans; construction's developer clients have few options left to beat the viability barrier.

The government has staked its future on reforms to deliver a long-term growth agenda. Unfortunately for construction, there is little prospect of a short-term dash for growth as headwinds remain in place.

Construction firms are left wishing and hoping that decisions are made, that animal spirits return, and that external market conditions improve.

Help needed

UK PLC is in a holding pattern. A combination of low growth and steadily rising inflation has eroded confidence in prospects for 2025 and beyond.

Trends affecting the construction sector are contradictory. In the short-term, workload and employment has increased. An 18-month long slowdown in new build workload finished with a 1% increase in output in the Autumn. However, falling industry confidence and the weak forward pipeline are a cause for concern.

The Construction Products Association recently downgraded its output forecast for 2025. Similarly, the latest Arcadis Sentiment Index (ASI) tracking clients' procurement intentions scores 56, still positive reflecting strong workload in networks but the lowest score since Winter 2023.

	Real terms growth (2025)	Real terms growth (2026)
New build	2.2%	5.0%
All work	2.1%	4.0%

Construction output forecast,4th quarter 2024. Source: CPA

Labour's mission-led government has set itself a huge task in overhauling parts of the economy, transforming health and education and delivering a net-zero energy system. Inevitably it is taking time to put the building blocks in place, but delays in decision making are starting to take their toll on the future pipeline.

Public sector construction clients will have an outsized role because private sector markets are presently not functioning as they should. Residential markets saw a clear North-South divide in terms of house price performance, with Nationwide data showing prices up 4.9% year on year in Northern England, contrasting with just a 2.2% rise in the South. Housebuilders plan a modest increase in sales during 2025, as affordability remains a stretch. Commercial office markets were steady in 2024 from an occupiers perspective, with lettings close to the 10-year trend. However, investment markets remain frozen. Even the most buoyant sectors including purpose-built student accommodation (PBSA) development face headwinds, with Building Safety Act gateways increasing delay and delivery risk.

In time private markets will turn. In the meantime, a modest boost to counter-cyclical public sector investment is needed to compensate for a slowing commercial sector. The 2024 Autumn Budget promised a significant uplift, with a 12.6% increase in capital spend to £131.3bn pencilled in for 2025/26. However, steps taken by government this year have disrupted progress in planning the future pipeline,

Projects have been delayed as spending plans have been reviewed and reprioritised. Major client organisations including Homes England, Network Rail and National Highways are restructuring. Even the introduction of new Procurement Act processes in February 2025 will hold back spend as new requirements bed-in.

The new government is not solely responsible. Procurement reform is a long-term initiative, and there was always going to be a spending cliff-edge this year. However, most attention has focused on the long-term issues, 'fixing the foundations', which now includes a dramatic shift in defence spending. Progress has been impressive, including proposed reforms to planning, investment finance and skills.

Construction will be a long-term beneficiary but, in the meantime, risks being a short-term casualty of disjointed capital planning. The sector needs help.

Four-tier market

Moving into 2025, contractor-delivered construction is evolving into a four-tier market, with implications for resource availability and sector-specific price pressures.

- **Regeneration, residential and commercial sectors.** Workload in this sector is highly sensitive to viability constraints and financeability. Previously booming sectors including PBSA and Build to Rent (BtR) are hitting affordability limits, further reducing the size of the market. Building safety processes are reducing the flow of high-risk projects to a trickle. With workload in this sector under pressure, clients should be able to exert a small amount of downward pressure on cost inflation and contract terms.

- **Public sector covering building and civil infrastructure.** Certainty and timing of decision-making are critical determinants for the health of the pipeline. Investable programmes associated with transport, defence, health and education rely on a predictable and visible pipeline and will benefit from the 10-year Infrastructure Strategy once launched. However, the current hiatus in spend risks loss of long-term capacity and investment in future programmes. In regional markets, this could be further delayed as investment spending is delegated to Combined Authorities. A switch of priorities from enhancement to renewal and back again also risks mis-allocation of resources. Longer-term planning must focus on the right-sizing of delivery teams to free-up resources for other sectors

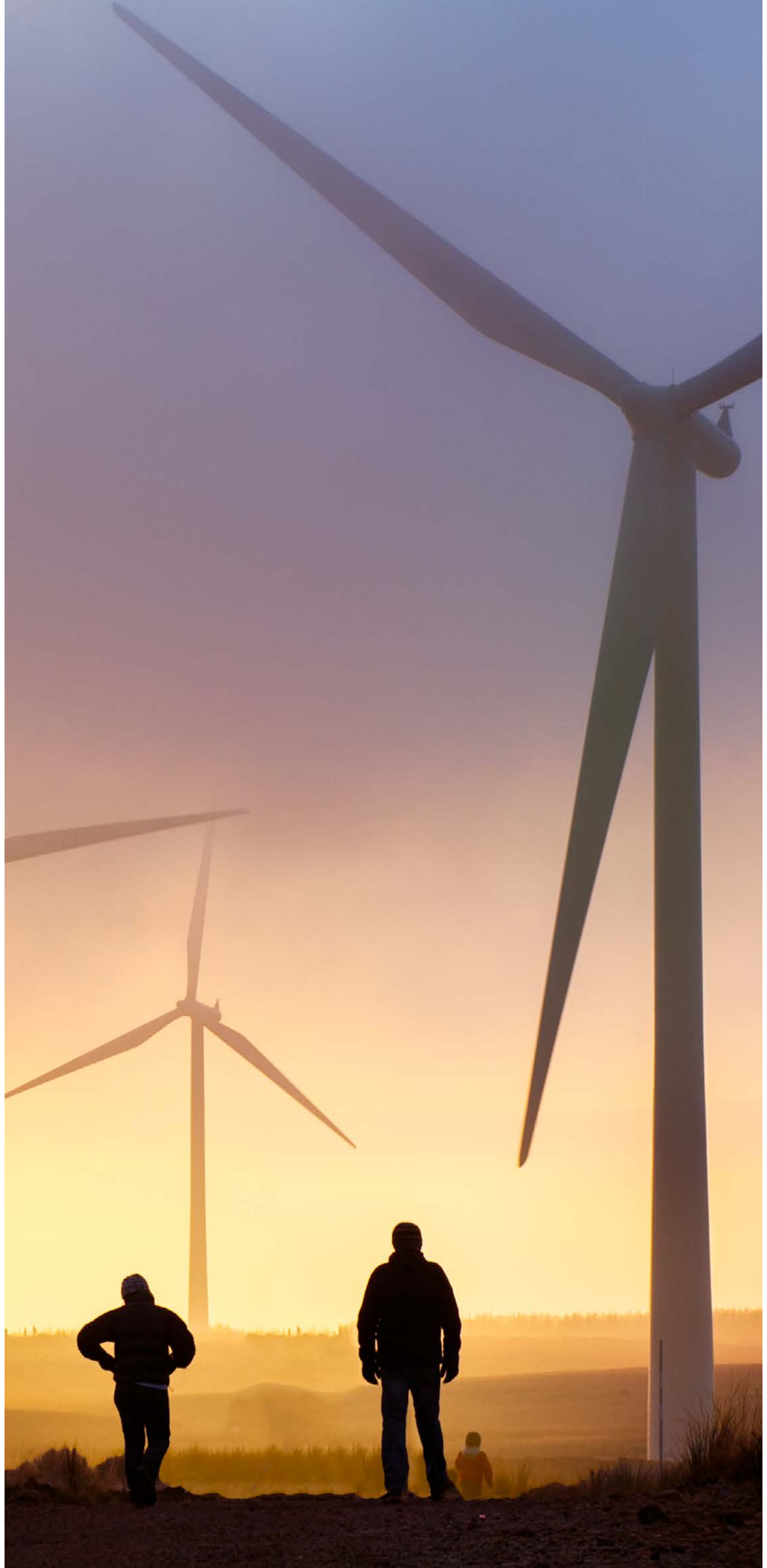
- **Network infrastructure and regulated utilities.** An explosive expansion in workload means that the utilities could face constraints in resourcing complex programmes. With programmes promising 10-15 years of high-volume investment, suppliers have the opportunity to build capability but will need to expand at pace. Demand is expected to outstrip supply chain capacity and clients will have less commercial leverage. However, programmes have to be delivered efficiently, and clients and their suppliers have closely aligned incentives to increase productivity over multiple control periods.

- **Mega projects.** These comprise complex programmes across all sectors including data centres, airports, energy and large road and rail schemes. The key client requirement is the organisational capability to deliver major investments along with access to the appropriate supply chain. The UK's requirement for mega-projects is likely to grow but the sector focus will change with less emphasis on road and rail and more demand for strategic investment in water, power and possibly aviation. The challenge for clients and their supply-chain will be in developing contractual models that balance risk transfer with the risk appetite of the UK construction sector.

The implications of this four-tier market include a divergence in commercial pressures, differing opportunities and risk exposure. The commercial sector is the most flexible and easy for contractors to enter but needs a step change to address productivity and affordability challenges. The public sector looks promising, but opportunities could still be a long time coming. Both sectors risk losing access to industry capacity as network clients crowd in capital at breakneck speed.

Sector summaries

In a new regular feature, we examine current market conditions affecting major sectors in UK construction markets. These insights are compiled with support from Arcadis sector experts.



Resilience

The resilience sector includes the water and energy sectors as well as flood protection and land remediation.

Investments in energy transition and water networks are set to make clients in the resilience sector the most active in the UK construction industry. The £20bn portfolio of Accelerated Strategic Transmission Investment (ASTI) projects for transmission and £44bn for enhancements to water networks represents a diversified pipeline of work that few sectors can match.

The publication of Final Determinations for AMP8 by Ofwat brings water companies one step closer to launching their expanded capital programmes. There has not been a significant expansion in the range of available suppliers for the new AMP, so water-sector clients are relying on the existing supply chain to rapidly grow their capacity. Some water companies have already started mini-bidding their portfolio in advance of the start of AMP8, meaning that works will start on site late in 2025.

There is a significant potential for scarcity-related inflation during the AMP. Similar market conditions have already affected the procurement of long lead-in equipment in the transmission sector as well as data centres. Manufacturing capacity for pumping, treatment and switchgear could be an issue, albeit that lead-in periods are currently being managed in line with defined programmes. The most likely source of constraint for AMP8 is likely to be the labour market covering not only specialist water-related skills, but wider engineering and site work disciplines also.

The resilience sector is set to be a significant beneficiary of planning reforms including changes to the Judicial Review regime for England and Wales. These reforms are likely to provide a further boost as developers of wind and solar farms and flexibility services accelerate their own investments. The potential for further competition for scarce industry capacity will continue well into the foreseeable future.

Mobility

The mobility sector includes road and rail as well as private sector investment into ports and airports.

Transport investment is at a crossroads in the UK in early 2025. High profile planning decisions affecting Lower Thames Crossing and Luton and Gatwick airports are expected to pave the way for a significant uptick in privately-funded infrastructure. In the meantime, delays to the full implementation of National Highways RIS3 programme and ambitious proposals for the devolution of spending to Combined Authorities will extend planning and procurement periods for road investment.

HS2 continues to be the UK's largest construction project, and it will continue to have an outsize impact on civil engineering resourcing for years to come. However, the programme will be reprofiled over the next twelve months, leading to changes in anticipated expenditure. With energy and water projects ramping-up their own demands on the civil engineering sector, this will help to mitigate some resource constraints, particularly for programme management skills.

Excluding Lower Thames Crossing, the future pattern of road investment is expected to be focused on smaller-scale capacity-enhancement schemes aimed at eliminating local growth blockers. The reduction of scheme size is likely to mean that the road sector becomes less strategically important to the contracting majors – creating opportunities for medium-sized civil contracting enterprises. This will enable them to invest in a pipeline of schemes underwritten by the 10-year infrastructure strategy and longer-term funding allocations.

Market conditions for new transport schemes have been competitive for one to two years, even as costs have escalated on in-flight programmes. Funding is likely to remain under pressure as priorities switch from road and rail to social infrastructure including schools and hospitals.

Places

The Places sector spans public and private investment in buildings ranging from housing to schools, hospitals and commercial office development. In this first quarterly update, we focus on opportunities in the public sector.

Investment in public sector buildings has for a long while been squeezed out by spending on large transport schemes and by private investment focused on the for-sale and leasing markets. A recent jump in investment in public buildings sees the volume of orders in 2024 up by 8% in real terms compared to the long-term trend. Is this evidence of a long-term change or a one-off?

Increased spending on hospitals and other social infrastructure in the Autumn Budget points to an ongoing rebalancing of government spending priorities. Spending on public buildings as opposed to infrastructure fell by 20% in real terms after 2020 compared to pre-Covid levels, so there is a lot of potential for recovery.

The recent reprofiling of the New Hospitals Programme provides the most compelling evidence that social infrastructure will be prioritised. The initial Wave 1 programme needs to move quickly to address urgent issues associated with RAAC. Thereafter, although the programme has been extended over 20 years in recognition of available capacity and funding, the scope remains largely unchanged. Contractors have greater incentive to invest into the programme, in the same way that the replacement schools programme has given some certainty to a specialist supply chain focused on MMC solutions.

Whilst centrally-managed programmes represent a much-improved prospect for national contractors, local government investment is likely to be subject to some disruption. This will follow the devolution of spending to Combined Authorities and the replacement of focused, competitive programmes such as the levelling up fund.

Forecast

In 2025 Arcadis is updating our approach to forecasting construction inflation, aligning our forecasts more closely to market sectors that have different demand conditions. As a first step, we are splitting our infrastructure forecast into two sectors in recognition of a long-term divergence in market trends:

- Civil infrastructure. This sector covers road, rail and other heavy infrastructure including aviation and flood protection. The bulk of expenditure, with the exception of aviation is publicly funded and will be constrained by the operation of the government's fiscal rules.
- Network infrastructure. This sector covers the communication, energy and water sectors. Most of the work in this sector is funded by user charges with investment programmes assured by regulation. Very ambitious investment programmes for the transformation of water and energy networks point to a rapid expansion of workload in these specialist sectors.

Prospects for building and infrastructure sectors differ sharply in 2025.

Workload

The confirmation of a fourfold increase in enhancement investment in the AMP8 programme for water adds demand to the networks sector that is already racing to deliver a net-zero ready energy system. Meanwhile, the continuing slow recovery of housing markets described in our introduction means that building supply chains will wait longer for a material increase in workload.

The consequences are that in the buildings sector, viability pressures will place a ceiling on the ability of contractors to recover increased costs. By contrast, water companies and power transmission firms face significant challenges in securing sufficient capacity to deliver their programmes and are likely to be price takers rather than price makers.

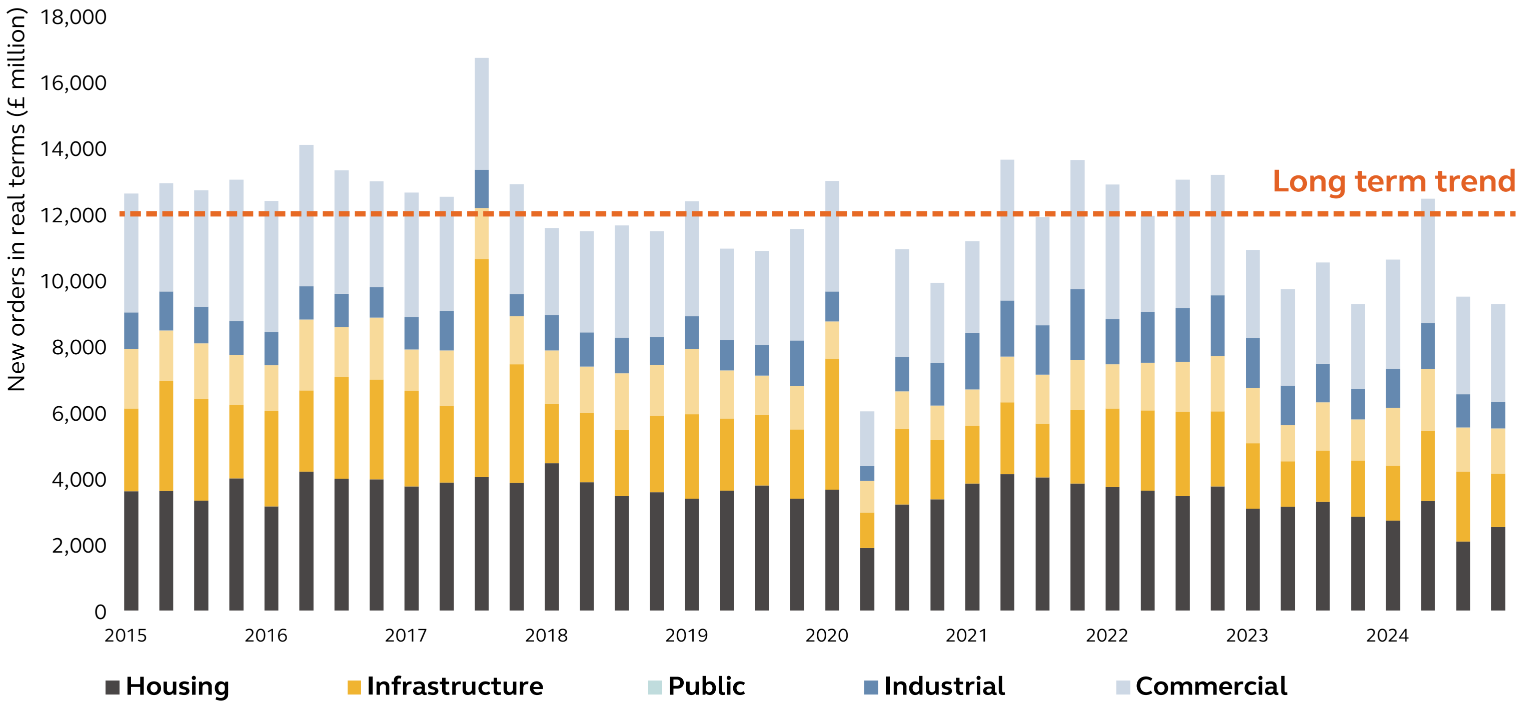
Despite the post-election gloom, new build construction output increased for the second successive quarter in Q4 2024. Increasing demand in the public-non-residential and industrial sectors helped to compensate for negligible growth elsewhere. However, this unexpected recovery followed a weaker first half. As a result, total new build workload was well below levels seen in 2022 and 2023. On an annual, real terms basis, output in 2024 was 5.3% below 2023.

By contrast, the future workload pipeline is looking even weaker and is becoming a serious concern. In line with the wider economy, construction orders for new work grew briskly in H1 2024, increasing by 16% in real terms. However, growth in orders has stalled since July 2024, dropping by nearly 20%. As the wider UK economy flatlined in late 2024, future prospects for construction took an unexpected tumble. This is confirmed by the S&P PMI release for February 2025, falling to 44.6 on the back of a weak order book.

	Current price value (£m)	Quarterly increase (real terms)	Year on Year increase (real terms)
New orders	15,341	2.4%	-0.1%
Output (new build)	34,985	1.2%	-0.7%

Construction output and pipeline data, 4th quarter 2024. Source: ONS

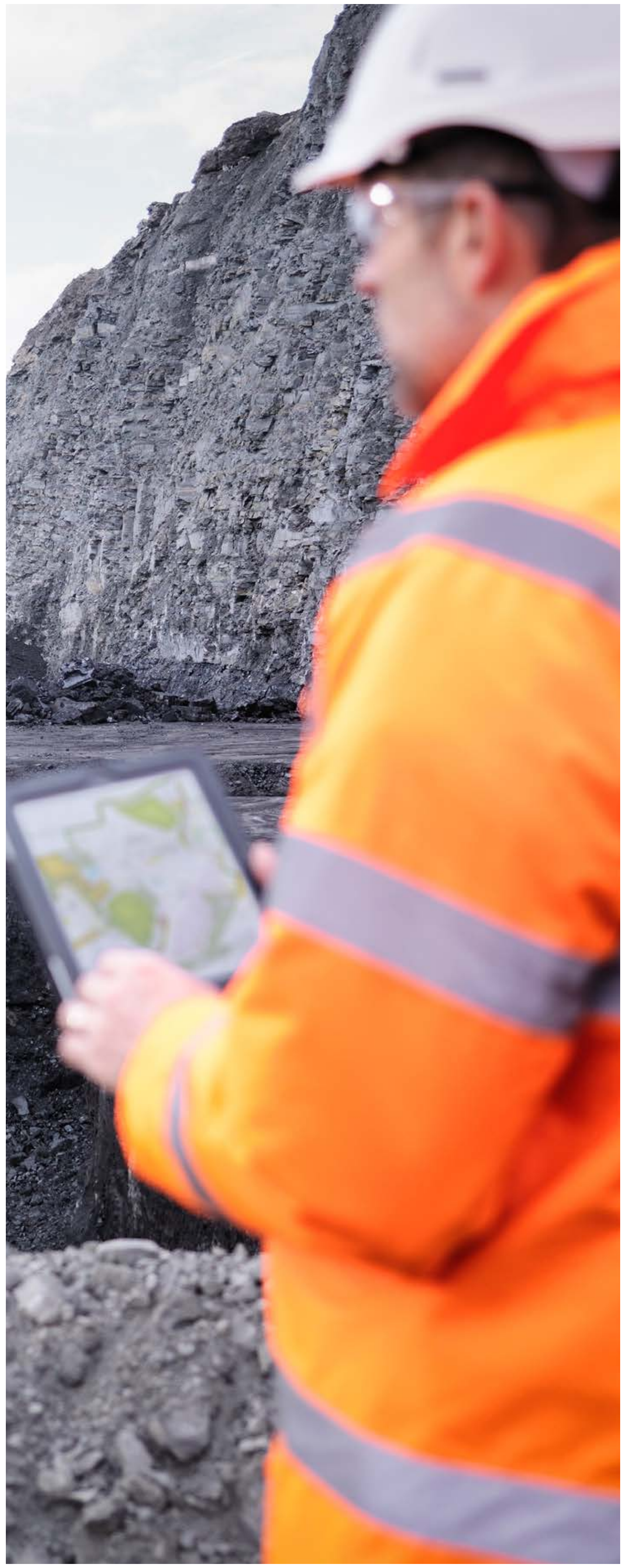
New orders for construction, seasonally adjusted by sector (2015 - 2024)



Based on annual current price data published by ONS, the average value of orders secured during 2023 and 2024 fell to £70bn per annum. On a real terms basis, the pipeline has not been this weak since 2011 to 2012, when orders stalled in the wake of the global financial crisis.

Beneath the headline total, there are some important trends to pull out:

- The housing pipeline remains exceptionally weak. Orders in 2024 are the lowest since 2009, recorded at the peak of the housing crisis. High-density development is stalled due to viability and building safety issues.
- Industrial and commercial starts slowed after a promising start to 2024. This highlighted the impact on developer sentiment of increases in the cost of long-term finance as well as the wider deterioration of business confidence.
- Public sector non-residential new order volumes have dipped since Q2 2024, even as output has increased. Project approvals are also likely to have been delayed ahead of the CSR.
- Firm orders for network infrastructure are not yet appearing in the data. The expected uptick in workload will convert into firm orders and turnover by early 2026.
- New workload in rail has remained steady as CP8, the new Control Period, beds-in. Most workload is associated with renewals rather than enhancements.
- Opportunities for new road projects are in a holding pattern, reflecting the timing of planning consents and delays to finalising the scope of RIS3 as part of the Comprehensive Spending Review (CSR), expected in June 2025.



Construction materials

Out-turn construction materials inflation for 2024 was flat. The annual rate of inflation measured by the Department for Business and Trade (DBT) was -0.1% in December 2024. The costs of a basket of typical materials was actually falling from July/August onwards. Deflation affecting a range of materials including timber, structural steel, reinforcement and steel pipes reached -2% during Q4 2024, cancelling out price increases in categories including plywood.

Low materials price inflation reflects economy-wide trends in manufacturing inflation, with input costs down by 1.3% in 12 months and output prices holding steady. As of December 2024, there was no sign of any impact of increases in gas prices that have steadily ramped-up throughout year. European gas prices fell dramatically in early 2024 and have since increased by more than 50%.

Other commodity markets have continued to follow trends reported during 2024, with prices well up relative to long-term trends. Costs of Brent Crude have fluctuated by +/- $10/bbl and at time of writing are trading at the bottom of the range at around $70. Aluminium and copper prices have both increased during the year to levels 30% above the long-term trend, which is similar to current elevated costs for energy. Iron ore prices have fallen by over 15% year on year on the back of weak demand from China.

Commodity	Price Feb 2025	Year on Year change	Price relative to long-term average
Brent Crude	$75.2/bbl.	-10.3%	1.13
Natural gas, Europe	$15.3/MMBtu	88.3%	1.35
Aluminium	$2,657/tonne	21.9%	1.28
Copper	$9,331/tonne	12.3%	1.31
Iron Ore	$105/tonne	-15.5%	1.08

Source. World Bank, February 2025.

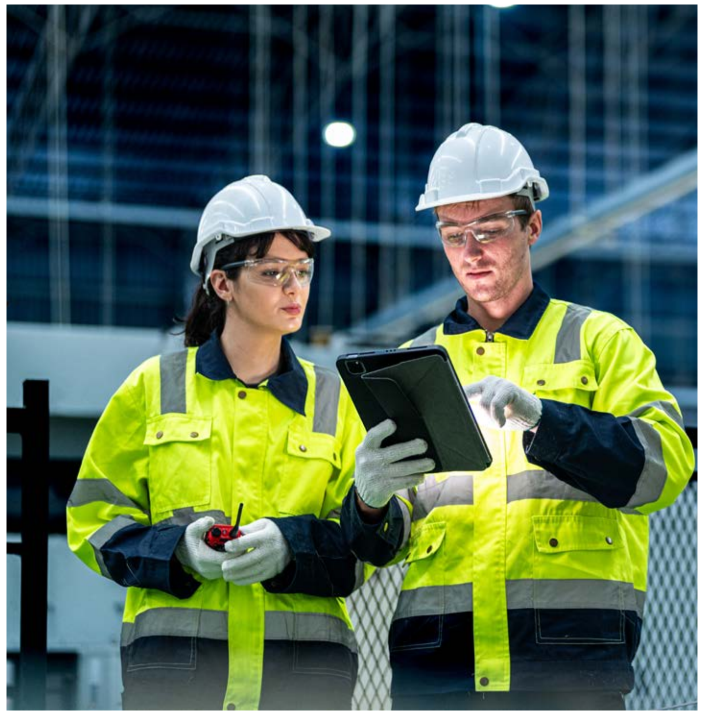
Tariffs and trade barriers have risen up the agenda since President Trump was inaugurated in January. Some of the ideas floated by the US represent a significant threat to world trade and prospects for economic growth but are unlikely to materially affect construction material prices in the UK. Paradoxically, UK markets may see falling prices resulting from competition as imported products excluded from the US seek new markets.

Construction labour

The construction workforce expanded in the second half of 2024. Latest data based on the ONS preferred JOBS metric is available up to September 2024. After 18 months of decline, it records a 3.2% quarterly increase in the potential size of the labour force, although the workforce remains 1% down on 2023 levels at 2.23 million. Construction vacancies also increased sharply during the fourth quarter to 2.6 per 100 employee jobs – the highest level since Spring 2023.

Industry earnings also rose faster than the wider economy during the fourth quarter at an annual rate of 6.4%, up from 2% in January 2024. Earnings growth coincided with a slight uptick in activity. This may reflect extended working hours, as well as higher wage inflation. Concerns about the impact of labour shortages are getting louder.

A review of Industry Training Boards (ITBs), Transforming the Construction Workforce, was published in January 2025. The review makes 17 recommendations, highlighting that there is no simple solution to construction's skills crisis. It also suggests that the construction sector may have a natural limit to the number of new entrants that can be absorbed at any one time – validating our long-term view that labour supply is the industry's long-term inflation driver.



Tender price forecast

Our Spring 2025 Tender Price Forecast has been updated to reflect recent economic developments which continue to weigh down on project viability. Widely-reported delays affecting high-risk buildings continue 12 months after the launch of the launch of the Gateway Review process.

There has been no improvement in conditions and in our view, work is now unlikely to pick up before fourth quarter 2025.

The timing of the CSR continues to have a short-term impact on public-sector decision making. Recent announcements have provided greater clarity on the spending profile for health as well as plans for devolution of spending to Combined Authorities. Although public sector spend on buildings has increased during 2024, it is unlikely to make up for a slowdown in workload that continues to affect the private sector.

As highlighted in our mobility sector workload review (above), there is little immediate prospect of an increase in workload. High profile planning decisions including Lower Thames Crossing scheduled for Spring 2025 should be a boost to the sector but will not immediately convert into construction turnover given planning and finance hurdles.

The industry sector with the best prospects is undoubtedly network infrastructure, where the challenge for clients will be to secure their share of available industry capacity. Clients and their project teams are already competing to build their programme management capability. The outcome will provide an early indication of the deliverability of the programme and the potential for pricing pressure.

We maintain our view that, even as contractors seek to recover increased National Insurance costs, the range of potential tender outcomes in building sectors will widen over the period 2025 to 2026. Increased competitive pressure should result in lower inflation for residential. Negligible material cost inflation supports this scenario, but site rates will need to be held in check. On the other hand, and as previously highlighted, a combination of higher wage costs and risk aversion could in some cases result in a greater exposure to price increases, particularly on negotiated commercial schemes.

- For Civil Infrastructure, we continue to anticipate that the full costs of NICs will be passed to clients in 2025. Inflation will be steady in 2026 and 2027 as the reduced value of long-term programmes is confirmed.
- For Network Infrastructure, we anticipate that scarcity costs will become a significant consideration from 2026 onwards. Not all workload will be affected, and the range of outcomes is wider to reflect this.

Looking to the medium term, our forecasts for 2028 and 2029 continue to be based on a growth and labour constraint hypothesis in advance of pipeline data.

The ranges set out in this table aim to capture most projects. Clients operating in markets exposed to extreme scarcity should consider the risk of additional inflation premia.

	Regional Building Construction TPI	London Building Construction TPI	National Civil Infrastructure TPI	National Network Infrastructure TPI
2024	1-2% (1-2%)	1-2% (1-2%)	3-6% (3-6%)	3-6% (3-6%)
2025	2-4% (2.5-4.5%)	2-4% (2.5-4.5%)	3-5%	4-6%
2026	3-5% (4-5%)	3-5% (4-5%)	3-5%	4-7%
2027	4-5% (5-6%)	4-5% (5-6%)	3-5%	4-7%
2028	5-6% (5-6%)	5-6% (5-6%)	5-6%	5-8%
2029	5-6%	5-6%	5-6%	5-8%
Total	**20-27%**	**20-27%**	**23-33%**	**27-42%**

Inflationary drivers	Deflationary drivers
Potential recovery of NICs from April 2025.	Slowing order book replacement across building and civil infrastructure sectors.
Elevated levels of workload in network infrastructure.	Procurement and approval delays.
Loss of capacity for large project delivery in buildings.	Soft material prices in 2024.
Supply chain consolidation.	Attitude to risk transfer in competitive markets.
Attitude to risk transfer in busy markets.	

Market view deep dive: regional hotspots

In this deep dive, we update our analysis of ONS regional data to understand local market conditions. The analysis firstly seeks to understand which regions have seen a material change in workload by comparing average levels of output and orders (pipeline) for the period 2023 to 2024 with the long-term trend for the period back to Q1 2015. An extra dimension looks at whether growth across all of 2024 was up or down compared to the previous year.

As highlighted in our forecast, prospects for growth have deteriorated significantly in the past six months. The net effect is that the UK has very few regional hotspots. The markets that remain 'above trend' for two-year workload are working through legacy programmes secured in the past.

From a workload perspective, the strongest regional markets are the North East, Yorkshire and the Humber, London and Wales. There has been no change since Q1 2024, highlighting just how important a strong pipeline can be.

The North East and Yorkshire and the Humber regions both saw positive upward growth in activity during 2024 driven mainly by an expansion of infrastructure workload. London barely grew during 2023 and 2024, but the large expansion in infrastructure spending post-Covid means that workload remains high. By contrast, workload in Wales has been falling since Q3 2023, and current activity is now well below the long-term trend. There is no sign of recovery.

This year, six regions qualify as 'not spots' with workload over the past two years below the long-term average, ranging across the country, from the South West to Scotland. The six affected regions broadly follow three trends:

- **Housing-led recovery.** The South-West and East regions have both seen a 20% decline in housing activity over the past two years. These markets are now in recovery, helped by further spend in energy infrastructure. The South-East is in the early stages of a housing-led recovery.
- **Disappointing 2024.** This describes the North West and West Midlands. Both had reasonably strong markets post-Covid but have both lost steam. In both regions, commercial development has never returned to levels seen up to 2019.
- **Changed markets.** Scotland appears to have more persistent market weaknesses, suggesting that workload has reset since 2019. Infrastructure has taken up a big share of spend. As seen in Wales, dependency on a single sector can be risky.

The deterioration in year-on-year activity levels continues. No regions saw growth in 2024 and only four regions including Yorkshire and the Humber, London, the East and South-East kept par. Steady housing activity and an increase in some public spending helps to explain this. Infrastructure was the swing factor in Wales, whilst industrial and commercial work picked up in the North East.

From an orders perspective, the picture is universally grim. All regions are lagging their long-term trend in Q4 2024. Previous poor performers East and West Midlands have seen their pipelines deteriorate by nearly 20% compared to the long-term trend, but London, the North West and Wales are not far behind.

- The long-term trend for East and West Midlands has been lifted by large, legacy infrastructure schemes, but neither region has seen a bounce back in activity since 2020.

- London and the North West both saw orders fluctuate a great deal during 2023 and 2024, but with a drop off of 15-20% during 2024. This is likely to reflect the sensitivity of strong commercial and residential markets to viability issues in these regions.

- Wales combines both factors – the unwinding of large, legacy projects and weak orders since mid-2023. There is no sign of a recovery in recent data.

	Workload	Pipeline
North East	**+11% (--)**	**-4% (--)**
North West	**-6% (-)**	**-20% (-)**
Yorkshire and Humberside	**+15% (=)**	**-8% (+)**
East Midlands	**+1% (--)**	**-19% (+)**
West Midlands	**-8% (-)**	**-21% (++)**
Eastern	**-8% (=)**	**-8% (++)**
London	**+4% (=)**	**-16% (-)**
South East	**-8% (=)**	**-13% (++)**
South West	**-5% (-)**	**-6% (+)**
Wales	**+23% (--)**	**-17% (--)**
Scotland	**-15% (=)**	**-12% (+)**

Explanation of the table:

Data in bold is represents the trend rate for workload and orders in comparing the average level in 2023 and 2024 with the long-term average for the period 2015 to 2024.

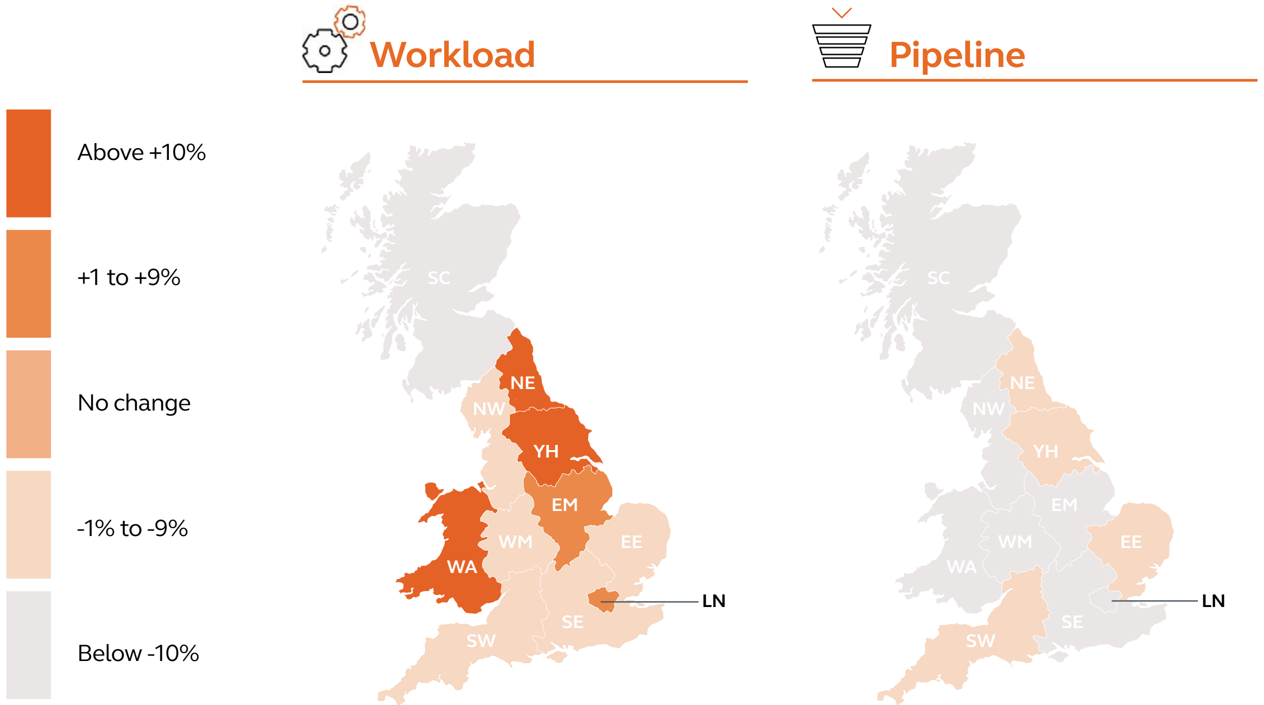
Data in brackets is short-term movement of workload and workforce based on full year-on-year change between 2023 and 2024. (=) is no movement. (+) and (-) is movement less than +/-10%. (++) and (--) is movement greater than +/-10%.

Data is sourced from ONS: Construction New Orders Table 6 and Sub-national Construction Output Table 1. New Orders and Output data is deflated to constant prices at 2024 price levels.

Combining our analysis of 'hotspots and not spots' with sector insight highlights how the impact of a slowdown in orders is distributed across the country. Significant sector implications include:

- Housing. An initial recovery is likely to favour low-density housing across the UK. Outside of London, developers are already looking to reconfigure inner-city development as mid-rise. High rise development in London will continue to be stalled by delays affecting project approval gateways.
- Commercial. Large scale commercial developments are being brought forward in major cities on a long-lead in, in anticipation of lease events from 2028 onwards. Viability challenges are limiting opportunities for speculative development. Demolition and enabling work is expected to pick-up
during 2025.
- Public non-housing. Wave one of the National Hospitals programme, due to start construction between 2025 and 2030, will see some regional concentration in South West England and Eastern England. Although a national framework is being established for the delivery of the programme, the local impact of large and complex schemes will be significant.
- Networks. Future water network workload will be widely distributed. 9,000 storm overflows are being targeted nationally as part of the first phase of spill reduction in addition to some large-scale treatment works investments. By contrast, transmission network reinforcement will be focused on Scotland and the East of England.
- Transport. Forthcoming planning decisions for Lower Thames Crossing and airports will direct new large-scale transport spending into the South East. Future road spending will focus on a larger number of smaller, regionally distributed schemes.

Combining all the data, for 2024, are there any resilient markets? The North East and Yorkshire and the Humber still have good current levels of workload, but order book levels are now in decline. Yorkshire looks the strongest for now. Regions that saw double-digit order growth in 2024 include the West Midlands and South East that have both been long-term underperformers. Overall, the weakest markets in the survey are Wales and Scotland, where workload continues to decline against the long-term trend at an accelerating pace. Both have benefited from a disproportionate volume of infrastructure work in the recent past and this lack of market diversification could result in short-term pain for contractors until commercial and residential markets recover.



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