

Tender Price Index

Key Indices Forecast Q3 2025



CONSTRUCTION SENTIMENT LOW

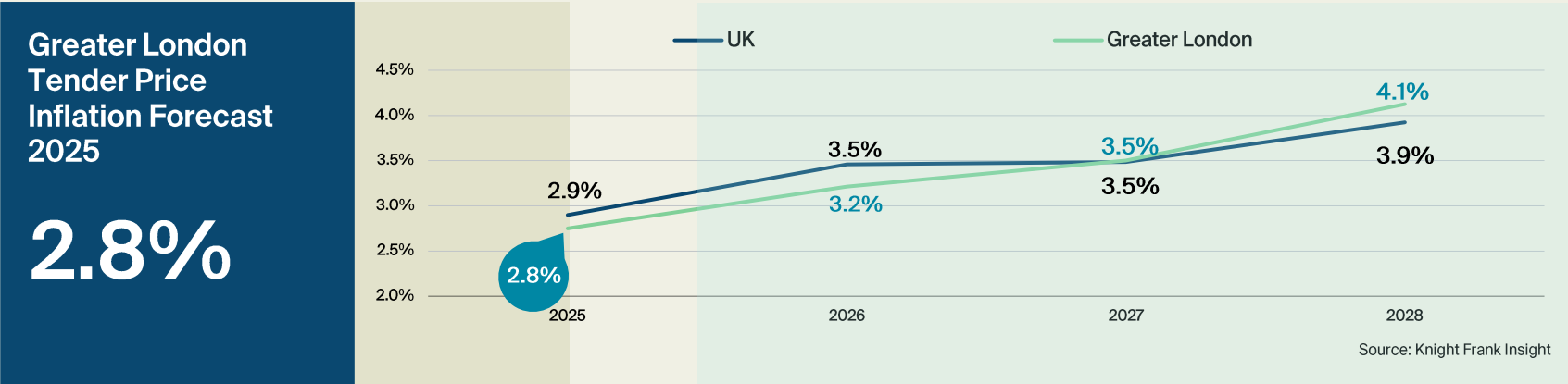
UK construction activity has now declined for seven straight months, according to the latest PMI survey. All three sub-sectors suffered decline in July with total industry activity levels falling at the fastest pace since May 2020. New orders fell for the seventh consecutive month amidst reports of a scarcity of tender opportunities, tougher competition and weakened customer confidence. In turn, staffing levels and purchasing activity have continued to drop as firms try to manage cost. Vacancies have decreased but this is more due to firms shedding roles than filling them.

Worldwide material costs were up in July however, these are anticipated to soften in 2026 as demand for them falls away due to the low level of purchasing activity. Overall, the sector remains under pressure with sentiment at its lowest since late 2022.

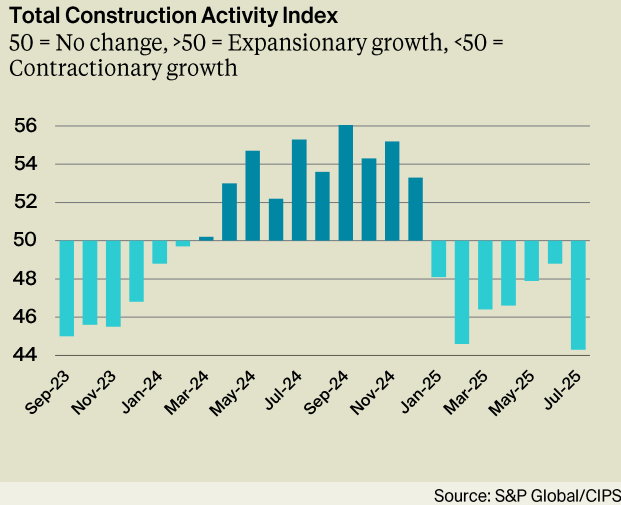
A CLEARER ROADMAP?

Recent releases of the Government’s 10 Year Infrastructure Strategy and the 2025 Spending Review may herald more balanced times. The former recognises the critical skills gaps in the sector and commits £625 million to the establishment of ten technical colleges to produce 60,000 additional skilled workers. The latter focussed on improvement to infrastructure, committing billions of pounds to transport and other projects e.g. the Warm Homes Plan. It highlighted the need for long-term planning to unlock investment and restore efficacy and confidence to the construction supply chain. While there is concern these measures do not go far enough, particularly to plug the skills gap, this does provide the sector with much-needed clarity.

As costs drop to compete with the lessened demand and the sector prepares for challenging times ahead, we have moderated our forecast marginally to 2.8% with increased inflation expected in 2027-2028 as new work orders rise with this greater clarity on infrastructure work, outpacing the availability of skilled labour.



UNITED KINGDOM CONSTRUCTION PMI INDEX



LATEST ECONOMIC DATA

4.7%	▲	Unemployment Rate (%)
4.25%	▼	Interest Rates Policy Rates (%)
3.6%	▲	CPI Inflation Rate
1.3%	▲	GDP (annual % change)
52.0	▼	UK Purchasing Managers Index
-18.0	▼	Consumer Confidence Index
\$67.63	▼	Brent Crude Oil Prices
5.0%	▼	Average Earnings exc. Bonuses
153.9	▼	BCIS Construction Material Price: All Work (Provisional)

Source: ONS, BCIS (arrows reflect annual change)

MATERIAL COST “BIG MOVERS”

Nickel	-8.0%
Lead	-5.4%
Other Raw Materials	-2.5%
Zinc	-0.5%
Copper	4.1%
All Timber	5.5%
Tin	5.5%
Plywood	7.5%
Aluminium	11%
Natural Gas (Europe)	12.3%

Source: World Bank Commodities August 25 (annual change in USD)