



# CONSTRUCTION INTELLIGENCE REPORT

Q2 2026 UK & Ireland



# The outlook from here will be largely determined by how energy prices evolve.

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# EXECUTIVE SUMMARY

The UK construction sector is entering a period of escalating costs and uncertainty driven by the ongoing conflict in the Middle East and its consequences for energy markets, inflation and global supply chains.

The UK construction sector is entering a period of escalating costs and uncertainty driven by the ongoing conflict in the Middle East and its consequences for energy markets, inflation and global supply chains.

For the construction sector, the implications are felt through higher energy-related input costs, increased transportation and logistics expenses, coupled with renewed inflationary pressure on energy-intensive materials such as steel, cement, glass and aluminium - as well as manufactured building components.

The report's revised forecasts indicate that TPI will be markedly higher than previously anticipated, particularly in infrastructure and major public-sector-led programmes.

Infrastructure tender prices are now forecast to rise by approximately 4.5% in 2026, compared with pre-conflict expectations of around 4.0%, with elevated inflation persisting into 2027 before moderating thereafter.

One impact of rising tender prices is the threat to affordability, particularly for later-phase schemes, increasing the risk of rephasing, scope reduction or deferral beyond the next spending review or general election cycle.

For private-sector clients, higher finance costs and reduced confidence are compounding viability challenges and in this environment, delayed decision making risks further exposure to inflation, policy change and market tightening.

We agree and embrace the sentiment of the Construction Leadership Council in their statement in March where they strongly advocate that 'now more than ever, the industry should use this time to plan, work collaboratively, and share forecasts and requirements early with everyone involved'.

Our experiences in previous crises following the Covid pandemic and invasion of Ukraine lead us to suggest that organisations which embrace

standardisation, manage risk collaboratively and invest through uncertainty will be best positioned to secure capacity, control costs and deliver value in an increasingly constrained and competitive construction market.

It is an environment that reinforces the case for decisive action and collaborative delivery approaches in navigating the UK construction market through this latest period of global disruption.

**Now is the time for decisive action and collaboration across the sector**

**Richard Bonner**

Managing Director  
Buildings and Places





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# INTRODUCTION

Against the backdrop of the events in the Middle East, 2026 will likely be another year that saw added shock to the global economy leaving a legacy of disrupted investment plans.

It brings to the fore the challenges and questions remaining around viability and affordability amid wider geo-political uncertainties and with increasing borrowing rates this may lead to the postponement, or even cancellation of aspects of the government's flagship infrastructure investment plans.

The economic and political situation prior to the Middle East conflict meant utilities and government expenditure would lead any improvement in the construction sector in 2026. The Government has been driving a construction-friendly agenda and following spending reviews and reforms to planning, with the 2025 Autumn Budget locking in over £120bn of capital investment for housing, transport and infrastructure, the Government is in a position to begin to deliver on its promises.

Utilities are already underway with AMP8 in the water sector seeing record levels of investment and the renewal of the electricity network.

There are also major initiatives in the health and justice sectors and we examine the progress on the New Hospitals Programme and the New Prison Construction and Expansion Programmes.

These pipelines with guaranteed funding looked to be the basis for growing confidence in the market place with the economy appearing to be turning a corner. Now the uncertainty caused by geopolitical events, will these projects still form the basis of increased output as private investment navigates tricky conditions.

Construction is a risk adverse industry, which is understandable with the level of costs involved in developing schemes. But too often, uncertainty breeds instant decision making and the easiest options are to cancel or postpone.

To succeed in 2026 the first step is to move away from the easiest option of default waiting for better conditions as given the disruption caused by conflicts and global pandemics in recent years, are there likely to be better conditions?





# ECONOMIC OVERVIEW

The current Middle East conflict has impacted world economy and it is clear that the effects may not be resolved for at least six months. The longer it continues and the more damage the local infrastructure takes, the more serious the effects will be.

The current elevated levels in oil and gas prices will fall once the conflict finishes but nervousness in the market will see commodity prices remain above pre-conflict levels as traders will factor in a level of risk as an insurance for events restarting and the full extent of the infrastructure damage revealed.

It will take time to rebuild and restart production and refining also contributing to higher costs. With another economic shock supply chains looking for greater resilience will continue to move away from the “just in time” to the “just in case” supply model.





## Interest Rates

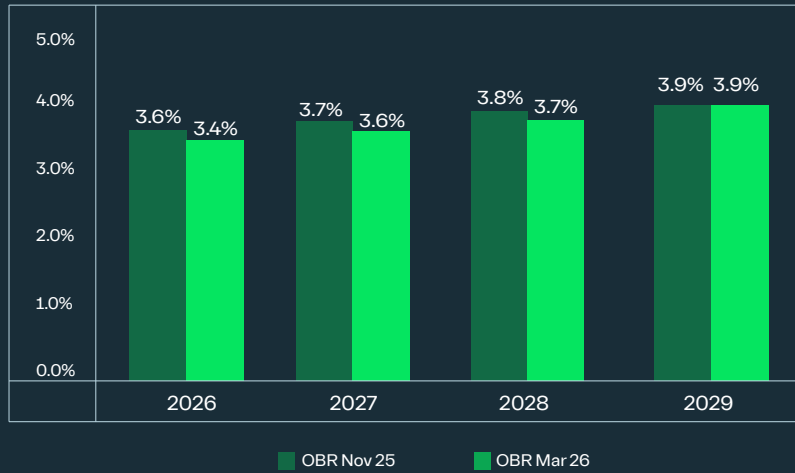
The start of the Middle East conflict meant the anticipated cut in the Bank of England base rate in March 2026 didn't happen and with it came increased business apprehension and anticipated higher consumer inflation.

Increases in energy and food costs have already seen recent increased consumer inflation and the longer the conflict lasts the greater the economic shocks with lower GDP growth and higher CPI. The Bank of England is caught between rising consumer inflation and a weakening economy.

Traditionally it raises base rates to combat inflation but with inflationary factors outside of their control and a weakening economy it will need to walk a tightrope basing their judgement on the length of conflict.

Once the conflict finishes, given the existing weakness in the economy the Bank of England will need to stimulate the economy and resume cutting interest rates. The extent and timing of further easing in monetary policy will depend on the trend of inflation.

BANK RATE %



Source: OBR Economic & Fiscal Outlook March 2026

## CPI

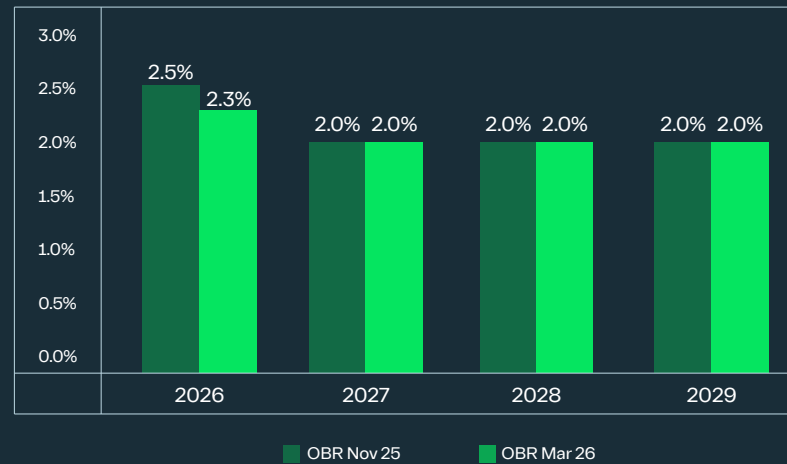
Analysts had expected CPI inflation to fall in 2026 with the Bank of England revising its forecast downwards expecting it to fall to 2.1% by the second quarter of 2026 before reaching 1.7% by 1Q2027 - down from 2.8% in the previous forecast.

These encouraging figures have been undermined by the rise in oil and natural gas prices. Analysts at the asset manager Quilter announced on the 2nd March that they had calculated that a \$10 increase in the price of a barrel of oil can add up to an additional 0.4% to consumer inflation. Recent forecasts are

for CPI to reach 4% by the end of the year but if oil remains above \$100/barrel for a prolonged period of time then CPI could return to 5%.

While the Middle East doesn't initially appear to be a major producer of foodstuffs, it is a large producer and exporter of fertilizer accounting for 20% of total global supply. Additionally it provides a third of the world's production of urea which is a key component of making fertilizer. We have already witnessed price increases for these products, 5% for fertilizer and 30% for the urea component. This will result in increased food costs for the consumer as the price is passed through the agricultural food chain.

CPI INFLATION%



Source: OBR Economic & Fiscal Outlook March 2026



## GDP

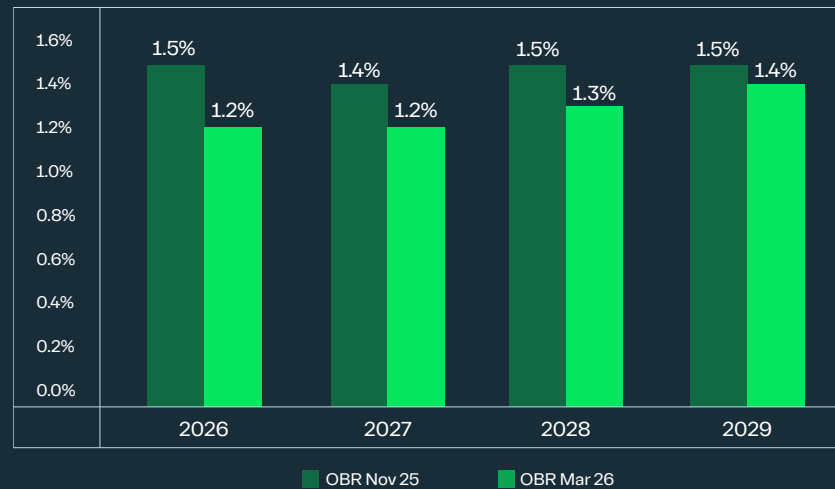
Forecasted GDP growth remained slow as a result of the Bank of England pursuing a policy of monetary tightening to combat inflation and the adoption of more economic protectionism which has deflated global growth, and the impact of the Middle East conflict is further likely to reduce both UK and global growth forecasts.

The Government policies of increasing employer national insurance contributions and increases in minimum wages have also been responsible for increased costs and reduced investment.

Once the conflict is over and easing economic conditions resume companies will look at the cost of labour relative to capital. The increase in labour costs has incentivised investing in labour-saving technologies with this transition expected to support business investment growth in coming quarters.

One of the foundations of the forecast was that a recovery in annual household consumption growth would help underpin GDP as improved financial conditions including lower borrowing would see the housing sub-sector grow relatively strongly. Higher CPI inflation and higher interest rates will blunt this.

GDP FORECAST %



Source: OBR Economic & Fiscal Outlook March 2026



# CONSTRUCTION OVERVIEW

Prior to the events in the Middle East there was a general economic consensus for the economy from forecasters that lower borrowing costs would assist private sector developments from the second half of 2026 into 2027.

We noted the Bank of England's view that investment in housing would grow strongly in 2027 when consumer confidence improves as household incomes recover, reducing fears over unemployment and bringing willingness to invest in bigger purchases boosting the housing market.

Until this takes a foothold then increased funding from the government spending review will elevate public sector construction with results being seen from the second half of 2026, coupled with activity in utilities, AMP8 in the water sector, electric grid investment and other infrastructure projects including the Transpennine Route Upgrade & Sizewell C.



The Government has set construction at the heart of its policies with the headline being 1.5m new homes, backed up with a raft of infrastructure investments. Planning reforms that should start assisting output in the second half of the year with the Planning & Infrastructure Act having become law and measures to improve skills and training may help labour constraints in the coming years.

The Labour government came to power with plans to invest in public infrastructure as part of its policy to increase productivity. The completion of the Spending Review took longer than the industry would have preferred leading to uncertainty as the government reviewed programmes amid increasing departmental expenditure. Publication of the spending review provided greater clarity, set out pipelines and strengthened capital investment.

Government capital expenditure is linked with many of its wider policies, two of its largest are the NHS and Ministry of Justice. Both of these have major estate building programmes attached and with projects either starting or ramping up on site will have a positive effect on the industry.

In 2020 the initial New Hospitals Programme (NHP) promised 40 new hospitals by 2030. But by 2023 a report issued by the National Audit Office found that the programme target was unachievable and needed resetting.

Among the key findings were that market capacity would be unable to deliver the programme in the initial timeframe and that inflation meant the promised level of funding was now insufficient.

In January 2025 following a review after the general election the programme was reset including a longer delivery programme and more funding, Under the new plan the Department of Health & Social Care (DHSC) has allocated the NHP around £9.6 billion from 2025-26 to 2029-30 and plans to provide around £3 billion a year from 2030-31 to complete the programme.

The first wave of projects to replace seven existing hospitals affected by RAAC are under construction and include the Royal Bournemouth Hospital and the National Rehabilitation Centre. The next wave is phased from 2026 - 2030 with several more are due to start in 2026 - 2027 including Shotley Bridge Community Hospital, Poole Hospital and Cambridge Cancer Research Hospital.

The NHP was set up to identify ways to improve the efficiency and quality of hospital construction, including through standardisation, modern methods of construction and a centralised approach to contracting.





Another issue the Government is addressing is the lack of capacity coupled with large amounts of sub-standard buildings within the prison estate with the New Prison Construction and Expansion Programme. The prison estate has been operating at close to full capacity since autumn 2022, with many prisons severely crowded with ramifications towards prison sentencing and early release of prisoners. The MoJ has increased the scale of its prison expansion plans from 13,400 to 20,000 additional places by the mid-2020s in response to projected increases in demand expected to be around £6.3 billion over a 10-year period.

The projects now under construction are being delivered through new prison builds, the expansion and refurbishment of existing sites using large houseblocks, and the use of MMC Rapid Deployment Cells which are standardised modular units designed to quickly add capacity in smaller areas. Many major schemes such as HMP Welland Oaks in Leicestershire and HMP Highland near Inverness are already deep into construction with more schemes due to mobilise in 2026, including expansions at HMP Channings Wood and HMP Wayland.

Recent reforms to the planning categories allows the UK Infrastructure Strategy to classify prisons and courts as part of the country's social infrastructure, alongside hospitals, schools and colleges. This consolidates them within the wider national infrastructure framework and allows them to bypass any local opposition to the scheme, enabling schemes to be delivered onto site quicker, providing more certainty and fewer delays.



Delivering the work through frameworks with a limited number of contractors and suppliers, the programmes have adopted key themes that are common with other government frameworks-

- These programmes have identified a clear pipeline of work, phased to enable identified capital yearly funding allocation for project certainty. By phasing they are also able to ensure that the work is spread throughout the programme period in the attempt to ensure that market capacity is not exceeded.
- Standardisation of design has the potential to bring benefits in reducing construction costs and delivering economies of scale over time enabling the integration of Modern Methods of Construction (MMC)
- Taking the lead on meeting consistent sustainability standards (e.g., BREEAM, biodiversity net gain)
- Use of frameworks allows more opportunities for parties to tender on. While this approach may limit tendering competitiveness, the ability to win more work should increase

the ability of parties, both contractors, consultants and MMC suppliers to invest in people and technology to improve efficiency. Linked to a clear project timeframe all parties (consultants and contractors) are able to plan their resources to enable timely and cost effective delivery

- The adaption of projects to this approach may challenge parties and present risks. Delays could force schemes into later spending reviews, this could lead to budgetary pressure on later waves of the programme potentially leading to cancellations or further delays. Therefore close monitoring is needed and scheduling of schemes kept under review.

The concern now is that increased tender price inflation will cause projects, especially those in later phases to be either cancelled or put on hold.



# TRENDS - LABOUR

Throughout 2025 we have seen material prices increase, while slow demand, reduced hiring and lower CPI inflation has muted wage demands. This has resulted in the ONS reporting that construction average weekly earnings being a whole percentage point (2.7%) lower than the whole economy.

While total construction output fell in the 12 months to January 2026 (source ONS) by -0.2% construction workforce fell by 0.9% during 2025 an indication of not only a sluggish sector but also the ability of the industry to attract and retain workers.

Presently with the economic cycle remaining uncertain, the current level of construction employment remains capable of handling the workload. However with an upturn likely (depending on the Middle East situation) we will finally need to heed the CITB's Construction Workforce Outlook 2025-2029 forecasts that the UK industry will need almost a quarter of a million additional workers over the next five years to meet the projected pipeline across consultants and contractors. This figure could be less as the conversion from viability to site remains a concern. What is certain is an aging demography - one-third of construction workers are over 50 meaning that hundreds of thousands are expected to retire by the mid-2030s and with them mentoring skills, affecting site productivity, tender capacity and programme certainty.

The government has acknowledged the shortage and has promised money, including the announcement at the last budget of funding for apprenticeship training for under-25s free for SMEs, and a wider construction skills packages aimed at helping young people into employment.

We are presently concerned about the present shortage of bricklayers, plumbers and other traditional skills, but the industry is changing. If the construction industry is to meet the upturn in investment it must also adapt to its new requirements. We covered the Hospital and Prisons schemes and the drive to standardised design, incorporating MMC etc. These construction methods are increasingly in demand and require personnel with net zero, digital technology, retrofit and other appropriate skills. Training must become more aware of these and develop the right routes to develop these skills.

# TRENDS - MATERIALS

Prior to the conflict 2025 saw increased commodity prices as uncertainty with tariffs and supply chain disruptions affected key commodities such as copper and aluminium. Following a period of small correction, material prices have started to rise again with continued high energy prices remaining despite government announcements to cap costs for heavy users. In September for the first time in two years the rate of construction material increases were higher than earnings.



The global supply chain is being affected as the Middle East is a vital distribution hub. Jebal Ali Port in the UAE is the ninth largest container port handling over 26m containers annually and is key hub on the Asia – Europe route carrying consumer goods including electronics, clothing. The main port in Qatar, Ras Laffan Industrial Port handles the LNG exports and urea-related fertilizer feedstocks. This port is also responsible for the export of helium for the manufacture of microchips with 30% of the global helium production leaving this area.

The Middle East is significant in the smelting of raw minerals into metals for processing. Aluminium is important with much of the global bauxite smelted in the region.

Shortages of materials will become evident within two – three months as existing shipments are delivered and no new deliveries on route. With the area being a major shipping route and unable to return to the Middle East we will soon start finding ships in the wrong place, experience from the pandemic showed that shipping rates will increase and the logistics of getting ships in the right port takes two – three months.

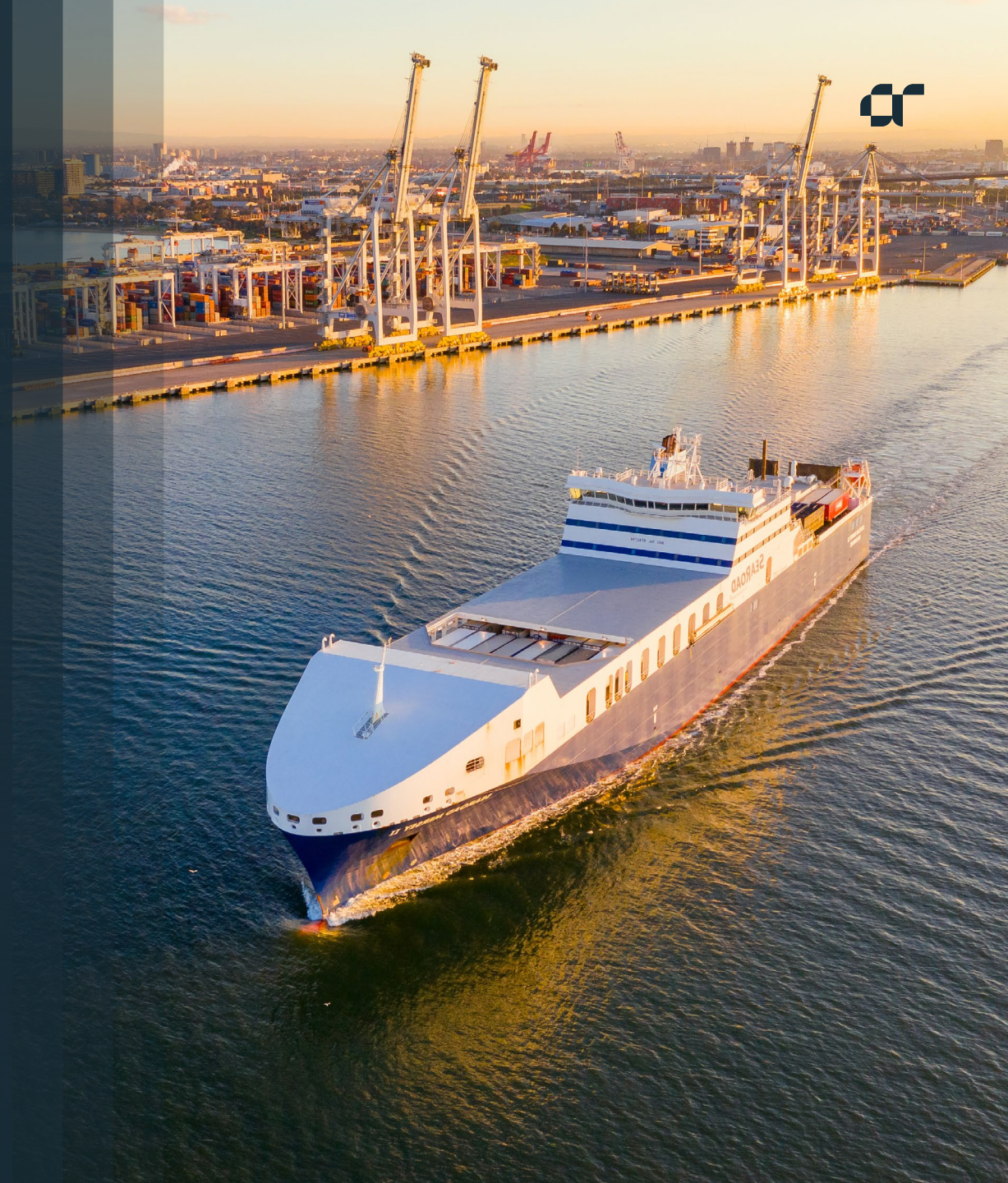
We are seeing increased insurance costs around the region and compounded by Far East – Europe shipping routes diverted around Africa. Typically this route takes around

25 – 30 days for a container ship to make the journey between Shanghai and Rotterdam using the Suez Canal, by diverting it via the Cape of Good Hope adds 7 – 10 days.

This becomes cumulative for the ship to made the round trip increasing labour and fuel costs. It is likely that the time taken will increase further as during the early days of Ukraine, we discovered that ships were reducing cruising speeds to save fuel.

It is estimated around 70% of all construction materials are manufactured in the UK. Of the rest imports from the EU account for 60% of the total imported construction with China accounting for 19% of all total imports. With delays expected for shipping it would be wise to consider the source of imported goods for extra costs or extended lead in times

Material cost rises will continue through 2026 as we deal with the fallout from the economic shock caused by the Middle East conflict. But this isn't the only factor as US tariffs again raised their head in February and price increases will continue as input costs increase.





More rigorous environmental regulations will soon become mandatory, such as the Future Homes Standard and the UK is following the EU in introducing the carbon border adjustment mechanism in 2027.

The carbon border adjustment mechanism (CBAM) is a new tax which will ensure that carbon intensive goods which are imported into the UK face a comparable carbon price to that paid by manufacturers producing the same goods in the UK. While the majority of steel is either produced in the UK or the EU, 20% of our imported steel comes from Turkey, India and China with industries geared for high carbon steel.

Steel is a vital ingredient for construction and also evokes strong political views based on the historical resonance of its manufacture and demise since the 1980s. In March 2026 the Government announced plans to cut steel import quotas and increasing the tariff to 50% on imported steel above this and setting the UK steel producers a target of meeting 50% of domestic demand instead of 35%.

This decade we have seen supply chains looking for greater resilience. This shift has been touted as building more resilience into the UK supply chain linked with promised investment by the government.

This move with current capacity reduced until March 2029 when the Port Talbot Electric Arc furnaces commence production, has the British Constructional Steelwork Association anticipating tighter availability and increase prices.

Currently material supplies and times are adequate, however this is mainly the result of slow demand rather than industrial capacity and many suppliers have reduced manufacturing capacity which means that availability of materials may be tested once an upturn commences. Any surge in demand will quickly diminish stocks while suppliers will look to expand their capacity, but restarting mothballed plants takes time to get the supply chain in place, plant ready and recruiting the labour required.

With the EU expected to see increased construction output in the same areas as the UK and red tape still affecting the price and speed of clearing customs from the EU the UK could be placed at a disadvantage in acquiring certain products leading to increased costs and longer lead in times.



# TRENDS – PRICING STRATEGY

The configuration of pricing strategy has shifted over the last few years with contractors still active in insulating themselves against risk. While the level of priced overheads and profits have remained static, preliminaries have seen restructuring.

They now include the requirement for increased site management and supervision costs to meet the more onerous building regulations to meet net zero, Building Safety Act requirements and reflect the additional cost of employer national insurance contributions.

With increased diesel costs, these will impact site plant further increasing costs, the potential for fuel shortages will need to be addressed if they occur. With ongoing high levels of insolvencies still requiring attention we have witnessed that the longer delivery programmes introduced early this decade in response to resourcing issues have remained resulting in increasing preliminaries and costs.

Pinch points in obtaining access to water, power connections etc. are responsible for causing projects to be delayed and extra expense incurred

The regulatory changes mentioned are contributing to extra costs of projects, placing extra stress on achieving viability as market returns do not keep up. These extra costs are not reflected in our inflation forecasts and are in addition to inflationary pressures.

To avoid resource associated delays early engagement with suppliers and clear visibility of lead times are essential to avoid schedule slippage and cost overruns.





## Lag Between Input Costs & Output Costs

With input costs, fuel and raw materials increasing, how long will this take to impact output (i.e. finished goods) costs? The main driver in earlier crisis has been the effect on material goods first. We have already seen effects with fuel costs reaching the pumps. Energy costs are protected as hedging agreements will remain in place for the next few months but these are a short term measure.

Labour costs will be affected, mainly in 2027 as salaries and national wage agreements for site operatives reflect increases to the consumer price inflation.

### How will this impact output costs and by extension tender price inflation?

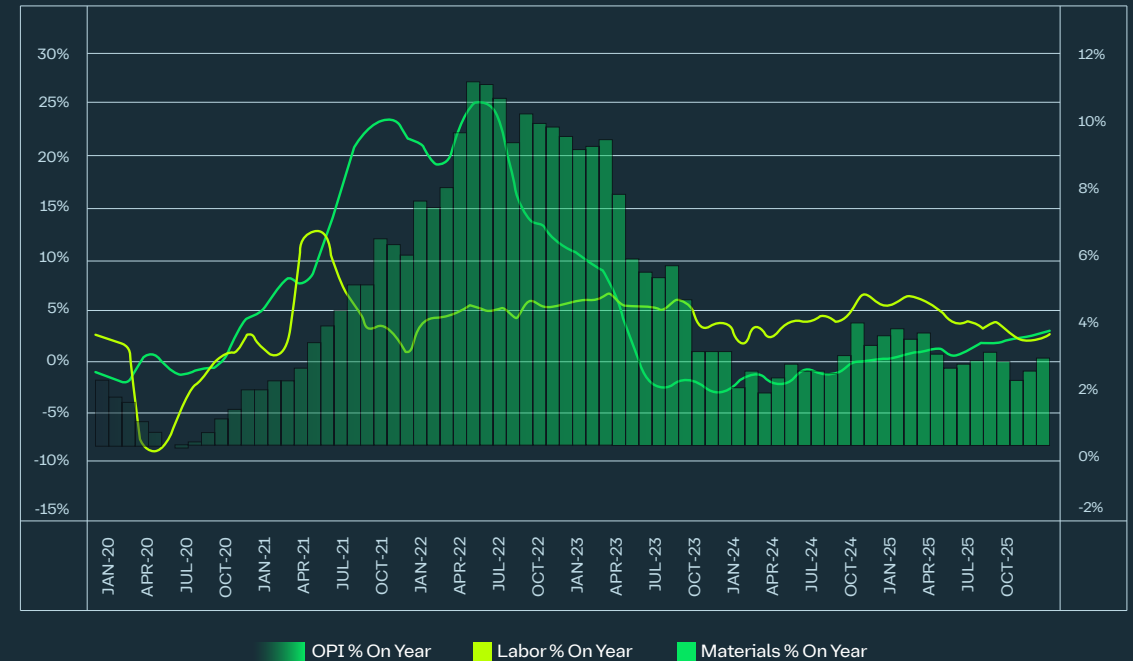
The ONS Output Price Indices chart plotted on the secondary axis from Jan 21 to Dec 2025, (the latest published data) plots the 12 month % change of output prices against material and labour increases. The ONS Output Price Indices is a model that includes material,

labour, plant costs and allows for preliminaries and OH&P. We can see the material prices increases with steep rises from the Pandemic recovery and as it starts to flatten the Ukraine takes over, driven by steel and timber cost increases. Labour cost increased more slowly, initially reaching a peak in 3Q2023 as wage agreements reflecting inflation filtered through.

Within 3 months the supply chain had adapted, found alternative suppliers, different routes and cost increases lessened. By July 2023, costs had fully stabilised and were then driven by market forces and a slow and steady increase commenced as general inflationary pressures returned.

The increase in this lags approx. three - four months behind the dramatic surges and reflects the time it takes to pass through the system. With labour costs following behind the decrease in OPI rises was slower than the initial increases.

12 MONTH % CHANGE OF OUTPUT PRICE INDICES AGAINST MATERIAL & AVERAGE WAGE EARNINGS



# CONSTRUCTION FORECAST

Following the invasion of Ukraine our TPI forecast tripled, resulting in many projects becoming unviable as a consequence that still affects the sector today. Analysts at the start of the conflict stated that \$10 increase in the price of a barrel of oil could add up to an additional 0.4% to consumer inflation and shave up to 0.3% off global GDP growth.

As evidenced in 2022 the additional cost of energy will filter through to heavy industries production such as steel, glass and cement and by association to byproducts such as rubber and plastic.

Prior to the latest Middle East conflict, our forecast was based on the latest Bank of England forecasts for the economy with the UK growing at the steady rate, consumer inflation falling at a quicker pace than was expected than previously forecast in 2025. This fall in inflation and with slow growth even with the potential for future labour shortages will mute wage agreements.





A further cut in the Bank of England base rate was expected in the first half of 2026, events in the Middle East curtailed this and it is expected that the Bank of England will raise rates, especially with criticism still ringing following their slow intervention as inflation rose following the Ukraine invasion.

It was anticipated that the increase in public sector capital funding, together with investment in renewables, the electricity grid, and in the renewal of water infrastructure would drive the recovery through 2026, before improving viability and affordability would increase potential for private sector work from the latter half of 2026.

As the economy improved it would lead to better household incomes and confidence which, linked to lower borrowing rates, will allow for an increase in housebuilding from 2027. This has changed as finance rates creep higher and recent surveys show that the conflict has eroded public confidence and spending is likely to retreat.

At the start of 2026, when engaging in market warming for future projects contractors are keen on early market engagement. The selective mood still exists among Tier 1 contractors who mostly have their order books full, but we are

finding that Tier 2 and 3 contractors currently have more capacity and desire to tender, especially for lower risk projects offering the opportunity for cost efficiencies to be realised.

While 2 stage procurement remains the route of choice for Tier 1 contractors, further down the food chain we are seeing contractors driven by commercial pressures willing to accept single stage or hybrid variations provided that the risk is managed.

Being on frameworks is an important component for the profitability of contractors and consultants, offering the opportunity to tender for a guaranteed workload. There is a clear divide between those who have positioned themselves successfully and winning regular work and those who haven't and are working on tighter margins.

Sourcing MEP resources remains challenging, as the demand for data centres, life sciences and fit-out projects is placing stress on the sector. The trend for early contractor design comes at a premium price with increased risk allowances, and we are finding that specialist MEP contractors, like main contractors, are becoming far more selective in the projects they chase.





Recent increases in copper has effected M&E costs particularly in electrical heavy environments such as data centres. Expect price increases and supply issues for aluminium products and microchips as a result of the conflict.

Looking ahead, historical data shows that there is a lag between start of events and tender prices feeling upward pressure, driven by material costs and increased finance costs. The initial period of four – six weeks saw nervousness as all parties involved look on waiting for the impact. All parties begin to assess price increases and revisit the schemes risk and viability as costs increase. Contractors will look to limit risk exposure, maybe avoiding the risk of fixed price contracts, cautious of the impact on materials that we saw following the invasion of Ukraine.

Companies will face the choice of either absorbing costs or passing them along the supply chain. Much of the decision will depend on the position the firm occupies and as we have witnessed from earlier this decade, smaller firms will face pressure to reduce their margins further placing them at increased risk of insolvency.

Initial cost escalations have started to percolate through in the first month, increased transportation costs being the first driver. Unless a resolution is reached from mid-April once all the tanker and container ships have arrived we will see the impact of the increase in energy supplies in the cost of processed materials and the cost of running site equipment. While the big difference is that the Middle East doesn't produce large amounts of construction materials for the UK market, unlike the effect caused by Ukraine the access to energy, refined minerals, helium and fertilizer will have an impact on costs

Being in a competitive market place will have some effects on price rises sticking and the amount of tender inflation we see as contractors continue to look to secure work. Inevitably it will affect the pipeline as increases in tender prices may see projects delayed or cancelled with the possibility of Central Government having to reallocate government CAPEX spending projects to subsidise consumer energy price bills. Any projects delayed until after the next general election face the possibility of being cancelled due to changes in government policies.



The end of April appears to be the timeline between an energy shock and turning. We have seen Brent oil surge above the US\$100 a barrel level. The longer the conflict continues and any shortages of oil and gas emerge the more energy prices will rise affecting the cost of the materials.

The impact on labour costs will be delayed until 2027 as national wage agreements for site operatives and consultants salaries agreed for this year will reflect any increases next year.

Supply chains will resolve themselves within a few months of the conflict ending but material costs will be subject to continued price hikes for the next two – three quarters as the energy cost surge passes through the chain establishing a new cost base.

Finance costs will continue to be high as central banks look to limit the inflationary pressures and risk adverse investors' confidence remains brittle, as both geopolitical factors looking for continued peace and economic factors in obtaining a suitable return mean higher finance costs remain, at least in the short term.

Given the increased costs projects will see increased viability issues with many not proceeding or risk meeting the returns demanded either by the funders or the developers want for the scheme. Increased costs for government projects may see projects delayed or postponed due to departmental budget spending limits.





Prior to this contractors were being selective and unwilling to undertake fixed price work with design elements considered incomplete placing onerous risk on them. Lessons learnt from early this decade will see tenders caveated and returns reflecting the insulation that contractors will require.

For our forecasts we have allowed greater material inflation for 2026 and 2027, the lag in wages and salaries is reflected by increased allowance in 2027 and further adjustments for higher consumer inflation and less investment in 2026 and 2027.

If the conflict continues for 6 months plus, the energy shock will transform into an economy shock. Analysts predict that it could push global oil prices as high as \$150 per barrel. With that GDP will fall and inflation rise. Forecasts in this scenario are for UK by the 4Q2026 inflation is expected to reach between 5.5 – 6.0% (Eurozone 5.0 – 5,5%).

Increases in production costs coupled with a loss in consumer confidence and reduced spending means the forecast for GDP plummets down to 0.1% (Eurozone 0.3%).

This time the supply chains know the problems ahead. Given the importance of exports for the Middle East countries they will be determined to resume exports as quickly as possible, depending on the severity of the damage caused to the infrastructure. Should this happen firms must look to build their resilience until the conflict is resolved. As such it wouldn't be prudent to estimate the likely inflationary effect at this stage.

Having highlighted some of the challenges ahead and recognising that our sector is vital to the improved economic growth of the nation, navigating to a successful outcome will require all parties involved to work together to derisk projects and reach decisions based on shared knowledge, identify potential problems and move a workable design forward.



**Max Wilkes**  
Market Intelligence Lead  
UK & Ireland

Location	2026	2027	2028	2029	2030
<b>National</b>	3.50%	3.00%	2.75%	3.00%	2.75%
<b>London</b>	3.50%	3.00%	3.00%	3.25%	3.00%
<b>Infrastructure</b>	5.00%	4.50%	3.75%	3.50%	3.50%
<b>Ireland</b>	3.25%	3.25%	3.25%	3.00%	3.00%

ATKINSRÉALIS TENDER PRICE FORECASTS 2026 - 2030



2026 2027 2028 2029 2030



[atkinsrealis.com](https://atkinsrealis.com)

 AtkinsRéal