

# TENDER PRICE FORECAST

for 2<sup>nd</sup> Quarter 2025 is...

# 2.25%

Annual UK Average

▼ compared to 2.75% Annual UK Avg. for Q1 2025

*Weak investor sentiment, global trade uncertainty and a downbeat economic outlook are weighing heavily on construction demand. Slowing pipelines, softer tendering conditions and rising competition have led to downward revisions in our tender price forecasts, even as cost risks persist.*

## KEY CONTACTS

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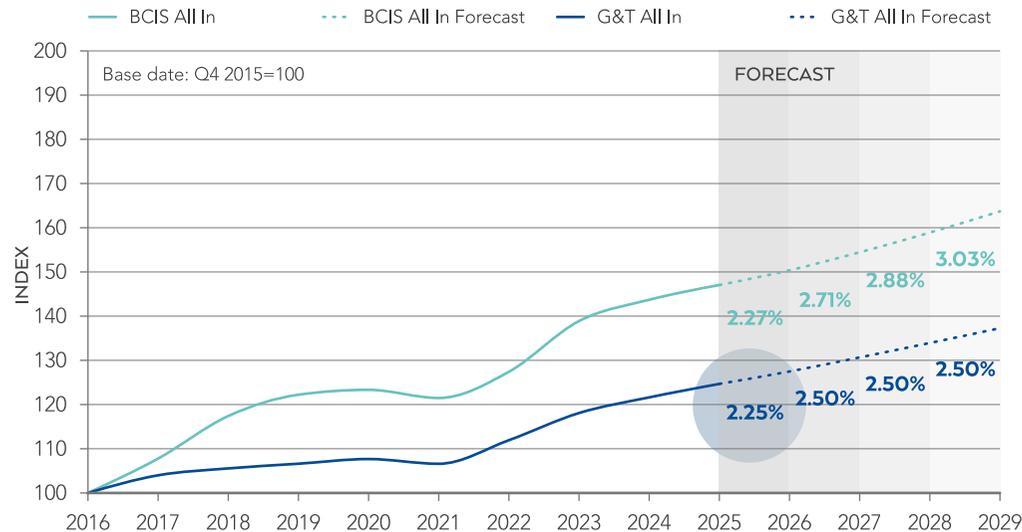
## TENDER PRICE ANNUAL PERCENTAGE CHANGE Q2 2025

% Regional forecasts	2025		2026		2027		2028	
	Now	Last*	Now	Last*	Now	Last*	Now	Last*
Greater London	2.50	3.00	2.50	3.00	2.50	2.50	2.50	2.50
South East	2.25	2.75	2.50	3.00	2.50	2.50	2.50	2.50
South West	2.25	2.25	2.50	2.50	2.75	2.50	2.75	2.50
East (Anglia)	3.00	3.00	3.00	3.00	2.75	2.75	2.75	2.50
Midlands	2.50	2.75	2.50	3.00	2.75	3.00	2.75	2.50
Wales	2.25	2.25	2.50	2.50	2.50	2.50	2.50	2.50
Yorks & Humber	1.75	2.00	2.25	2.00	2.50	2.25	2.50	2.25
North West	2.25	2.50	2.25	2.50	2.50	2.50	2.50	2.50
North East	1.75	2.00	2.25	2.00	2.50	2.50	2.50	2.50
Scotland	2.50	2.75	2.50	2.50	2.75	2.75	2.75	2.75
Northern Ireland	2.25	2.25	2.50	2.50	2.50	2.50	2.50	2.50
<b>UK Weighted Average</b>	<b>2.25</b>	<b>2.75</b>	<b>2.50</b>	<b>2.75</b>	<b>2.50</b>	<b>2.50</b>	<b>2.50</b>	<b>2.50</b>

Last\* Q1 2025

Our forward forecasts show annual tender price inflation (Jan-Dec)

## TENDER PRICE TREND 'ALL UK TPI'



Our advice is to review each project on its own merits. This forecast publication must be treated as a guide only, being that it is based on averages of various types and sizes of projects across a region, ascertained through our latest market research.

## HOW DO WE REACH OUR TENDER PRICE FORECAST?

We conduct a detailed industry survey and consider factors including...

### INPUT COSTS

- ▲ 7.0% BCIS Labour Cost Index Apr 24 - Apr 25
- ▼ -2.2% BCIS Plant Cost Index Apr 24 - Apr 25
- ▲ 3.8% BCIS M&E Cost Index Apr 24 - Apr 25
- ▼ -10.0% Fabricated Structural Steel Jan 24 - Jan 25
- ▼ -5.1% Concrete Reinforcing Bars (Steel) Jan 24 - Jan 25
- ▲ 4.5% Imported Sawn or Planed Wood Jan 24 - Jan 25
- ▲ 2.3% Ready Mixed Concrete Jan 24 - Jan 25
- ▼ -25.1% Oil Prices (Brent Crude) May 24 - May 25

### KEY

Input cost arrows indicate the direction of change over the specified period. Please note that material price data from the Department for Business and Trade (DBT) is unavailable beyond Jan 2025, following a suspension prompted by ONS-identified issues with the underlying Producer Price Index (PPI) methodology.

- High Cost Driver
- Medium Cost Driver
- Low Cost Driver

## MACRO ECONOMICS

Unless otherwise indicated, figures represent annual growth rates for the stated period. Arrows indicate the direction of change in each indicator compared to the values reported in our previous TPI report.

- ▲ 1.3% UK GDP Annual Growth Rate Q1 2024 - Q1 2025
- ▲ 2.6% CPI Mar 2025 12-month rate
- ▼ 3.2% RPI Mar 2025 12-month rate
- ▼ 4.25% UK Base Interest Rate May 2025
- ▲ 4.5% UK Unemployment Rate Jan 2025 - Mar 2025
- ▼ 5.5% UK Wage Growth Average Weekly Earnings (Total Pay) Y-on-Y three-month average to Mar 2025
- ▲ 7.8% UK Construction Wage Growth Average Weekly Earnings (Total Pay) Y-on-Y three-month average to Mar 2025

*Our Tender Price Inflation report looks at the movement of prices in tenders for construction contracts in the UK. The report examines a number of contributing factors and is further informed by our market survey and supply chain consultations. This forecast illustrates our view of annual tender price inflation from January to December 2025 and beyond.*

## OUR FORECASTS

The UK construction sector enters mid-2025 with significant uncertainty and a mixed inflationary backdrop. Despite some easing in materials costs and signs of stabilising input inflation, tender pricing remains under upward pressure due to structural labour constraints, rising compliance costs and selective contractor behaviour. Delays in project conversion, a softening economic outlook and policy-driven cost escalations are compounding market fragility and limiting the pace of recovery.

Economic forecasts have weakened amid geopolitical and trade policy pressures: the Bank of England now expects GDP to grow by just 1% in 2025, with inflation set to remain above target until 2026. Although base rate cuts are underway, monetary easing is expected to proceed cautiously, and confidence-sensitive sectors—particularly residential and private commercial—remain subdued. Public sector workloads are providing a degree of stability, particularly in infrastructure, healthcare and regulated utilities, but delivery remains slow and funding pipelines inconsistent.

Contractors continue to adopt a defensive posture. Our latest TPI survey suggests that Tier 1 and Tier 2 firms are prioritising risk management over volume, pricing in prolonged lead times, wage inflation and delivery risk. While some sectors are experiencing increased competition, this is largely reflective of reduced opportunity volumes rather than a return to aggressive bidding. Capacity is constrained in specialist trades and retrofit sectors, while overhead recovery pressures are pushing preliminaries higher—particularly on complex or labour-intensive projects.

Input cost data points to ongoing pressures: wage growth in construction remains above 7% year-on-year, even as vacancies fall. Regulatory burdens—particularly those linked to the Building Safety Act—are adding to preliminaries costs, and overheads are being held nominally flat despite rising delivery costs. Although materials inflation has stabilised, the sector continues to experience volatility in specific product lines due to regulatory uncertainty, logistical disruption and short-term trade policy shifts.

Against this backdrop, we have revised our UK average Tender Price Inflation (TPI) forecasts to 2.25% for 2025 and 2.5% for 2026. These figures reflect a softening outlook relative to earlier expectations, shaped by weaker project flow, patchy demand recovery and an increasingly bifurcated pricing environment. As ever, project-specific factors—such as procurement route, location and contractor appetite—will remain key determinants of actual pricing outcomes.

***All forecasts in this report take account of all sectors and project sizes as a statistical weighted average, indicating an overall trend in pricing levels. It should be remembered that individual projects may experience tender pricing above or below the published average rate, reflecting the project specific components and conditions.***

## THE ECONOMY

Despite a reported 0.7% GDP growth in Q1 2025, economists caution that this figure may overstate the underlying economic momentum. Analyses suggest that the surge was influenced by temporary factors, such as inventory build-ups ahead of anticipated US tariffs, rather than sustained demand increases. Consequently, the Bank of England has revised its growth forecast for 2025 down to 1%, with the EY ITEM Club projecting an even lower

0.8%, reflecting a significant downgrade from earlier expectations of a robust post-inflation recovery. For the construction sector, this subdued economic outlook implies potential challenges, including weaker project pipelines and cautious client investment decisions, contrasting sharply with the optimistic projections at the year's outset.

Uncertainty surrounding the impact of US trade policy on the global economy has clouded the UK growth outlook. Though the recent US-UK bilateral trade agreement offers some relief—eliminating tariffs on British steel and aluminium exports—the agreement's limited scope means that a 10% tariff continues to apply to most other goods. This poses risks to UK exporters and could dampen overall economic growth. Although the deal benefits specific sectors, its broader economic impact is expected to be minimal, leaving the UK economy vulnerable to ongoing global trade tensions.

Inflationary pressures are easing but remain uneven. Headline CPI fell to 2.6% in March, driven by lower fuel prices and softening goods inflation. However, core and services inflation remain sticky—services inflation is still running at 4.7%—underpinned by strong wage growth and persistent labour shortages. April's increase in regulated energy bills, the near-7% rise in the National Living Wage, and higher employer National Insurance contributions are expected to reintroduce upward pressure. This uneven picture—brief respite in headline figures but stubborn core and services inflation—underscores the Bank of England's dilemma between taming price growth and supporting a fragile economy.

At its May 2025 meeting, the Bank of England cut interest rates from 4.5% to 4.25%, citing easing inflation, sluggish business investment and mounting global uncertainty—particularly the fallout from new US tariffs on UK exports.

While the Bank sees these trade developments as broadly disinflationary, strong domestic wage growth continues to fuel price pressures. Inflation is expected to peak at 3.5% this summer before easing towards the 2% target by early 2027. Policymakers remain split and further rate cuts are likely to be slow and data-dependent, with the MPC reaffirming a “gradual and careful” approach to monetary easing.

The S&P Global UK Construction PMI – a measure of overall activity – remains firmly in contraction territory, highlighting ongoing industry uncertainty. Contractors report shrinking order books, elevated cost pressures and clients delaying or postponing project decisions in light of mixed economic signals and uncertain policy pathways. This combination of subdued demand, elevated costs and worries about the economic outlook is squeezing activity across all construction sectors.

## CONSTRUCTION OUTPUT AND NEW ORDERS

UK construction output was flat in Q1 2025, holding steady at £53.2 billion (seasonally adjusted). This marks the third consecutive quarter of stagnation, reinforcing the view that activity has plateaued at a historically high—but no longer rising—level. The figures highlight the persistent challenges in converting a strong pre-construction pipeline into on-site delivery, with labour constraints, planning delays and a fragile macroeconomic backdrop continuing to limit the volume of work progressing to execution.

By contrast, new order values jumped 26.6% to £11.6 billion, the second-strongest reading since the end of 2022. The rebound was led by infrastructure, where contract awards more than doubled quarter-on-quarter. Private industrial work also staged a strong recovery, climbing nearly 39% as manufacturers and logistics

operators advanced energy-efficiency retrofits and capacity upgrades. Private-commercial orders rose more modestly, by 8%, while private housing saw a further 7% decline, underscoring developers’ ongoing reluctance to commit amid high financing costs and soft demand.

Taken together, the data sketch a two-speed picture: large, capital-intensive schemes—predominantly infrastructure and complex industrial retrofit—are sustaining order books at the top tier, while lower tier contractors contend with weaker pipelines. The residential sector, in particular, remains subdued, with the flow of new work still receding.

Because major infrastructure and industrial projects take months to mobilise, the Q1 rebound in orders is unlikely to translate into higher output before late 2025. A broader upswing will depend on improved access to finance, greater policy certainty and easing pressure on construction capacity.

For now, the data depicts a sector in transition: order books have lifted, but in a narrow, infrastructure-led band and real output growth remains elusive—waiting on cheaper finance, clearer policy and reliable workforce capacity before the recovery can broaden and take hold.

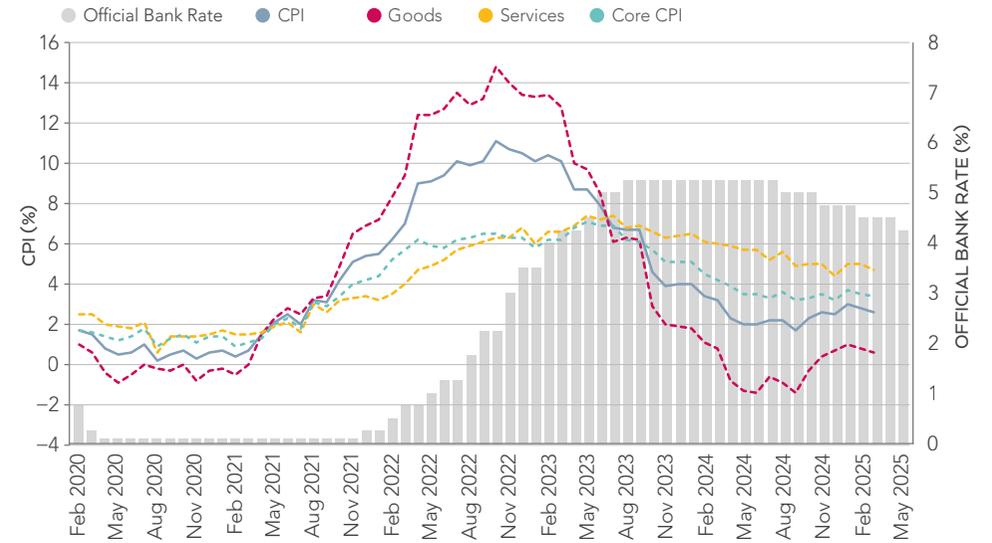
## G&T TPI SURVEY FEEDBACK

### Workload

The outlook for construction workload remains mixed, with steady activity in some sectors offset by hesitancy elsewhere. Clients are generally cautious and while enquiry levels remain healthy, the pace of conversion from feasibility to delivery is slow.

Residential development continues to face significant headwinds. High-density schemes are being delayed or cancelled due to affordability issues, rising build costs and regulatory

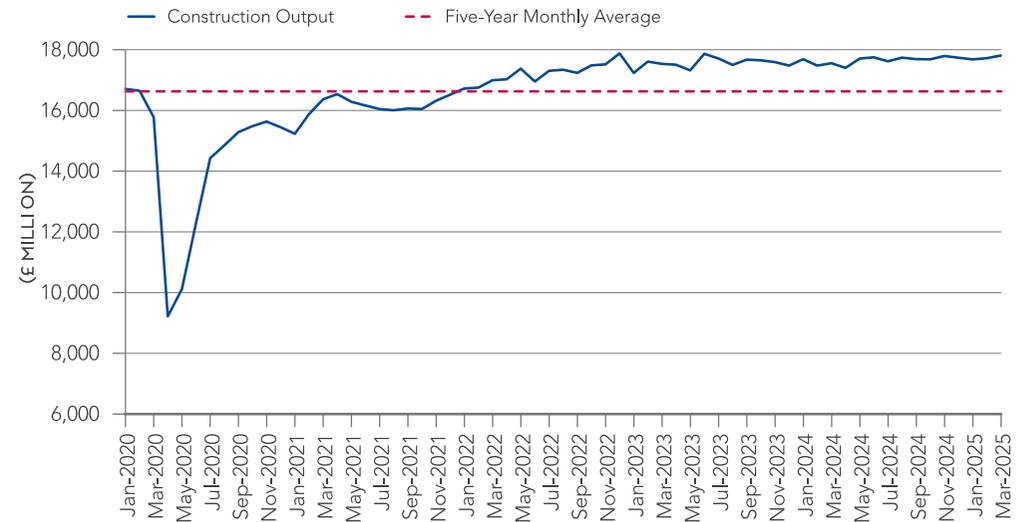
## CPI GOODS, SERVICES AND CORE ANNUAL INFLATION RATES V OFFICIAL BANK RATE (UK): FEB 2020 TO MAR 2025



Source: [ONS](#), [Bank of England](#)

## CONSTRUCTION OUTPUT: ALL WORK

Seasonally adjusted



Source: [ONS](#)

pressures around the Building Safety Act. While the Government remains rhetorically committed to boosting housing supply, progress is being stymied by planning delays and limited local authority capacity. As a result, many projects are stuck in early stages, with viability assessments rarely translating into delivery.

By contrast, public sector investment is providing more reliable workload, especially in regulated infrastructure. Programmes like AMP8 in the water sector are driving strong pipelines, supported by long-term funding and policy imperatives. However, these projects are often delayed by complex approval processes, and their impact on workload volumes will be gradual rather than immediate.

Across the market, many report a high volume of feasibility work, but a lack of momentum behind new project starts. Clients are focused on de-risking and scenario testing, with few schemes progressing unless value, ROI and compliance requirements are fully aligned.

Some sectors are showing more resilience. Pharmaceutical and life sciences schemes are generating sizeable feasibility commissions, and the energy and engineering sectors appear less vulnerable to economic headwinds. Landlords, too, continue to invest in building upgrades at lease expiry, often with a focus on reducing operational carbon.

Despite hopes of recovering workloads this year, market activity has softened. Global economic uncertainty continues to stifle the progression of some schemes beyond feasibility stage, with clients hesitant to commit to construction amid volatile cost conditions and funding constraints. While this slowdown may help ease pressure on contractor capacity, it also raises concerns about the pipeline depth in sectors where viability and confidence remain fragile. Infrastructure and energy transition remain the most resilient areas of

growth, supported by government-backed programmes and long-term policy goals, while residential and commercial (new build) markets are expected to stay subdued until confidence in the broader economic outlook improves.

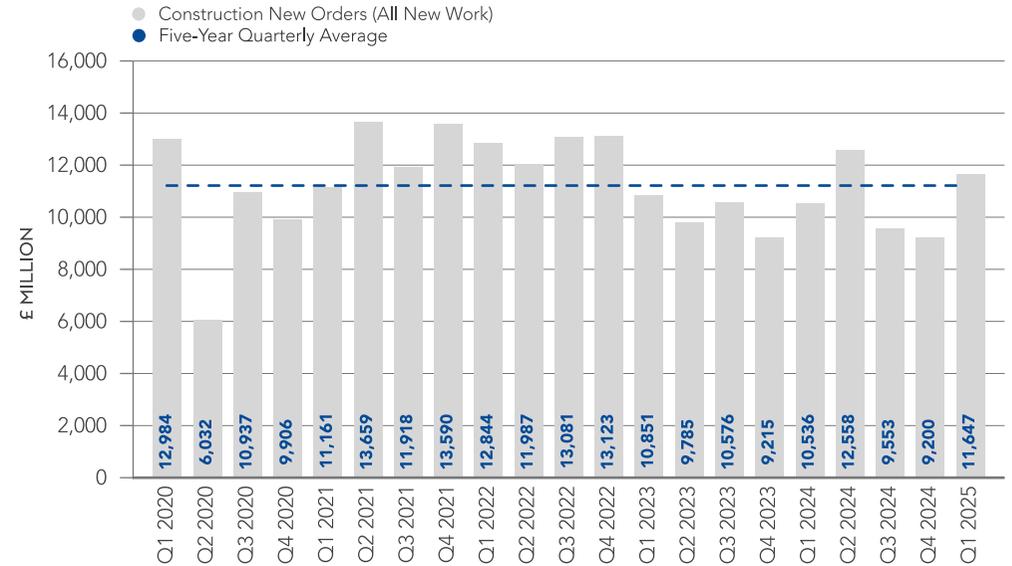
### Market Conditions

Market conditions in the UK construction sector remain subdued, characterised by flat activity levels, cautious sentiment and a noticeably more selective stance from contractors. While workloads are holding steady in certain segments—most notably infrastructure and public-sector retrofit—the broader picture is one of stagnation rather than recovery. Growth remains elusive in most sectors and optimism is tempered by persistent economic headwinds.

Contractor confidence remains low. Tier 1 and Tier 2 firms continue to adopt a defensive posture, prioritising risk management over revenue growth. Rather than pursuing aggressive expansion, many are focused on preserving margins in the face of heightened delivery risk, unpredictable pipelines and lingering inflationary pressures. This has contributed to a tighter tendering landscape, where fewer bids are submitted—especially for projects perceived as commercially complex, or logistically challenging.

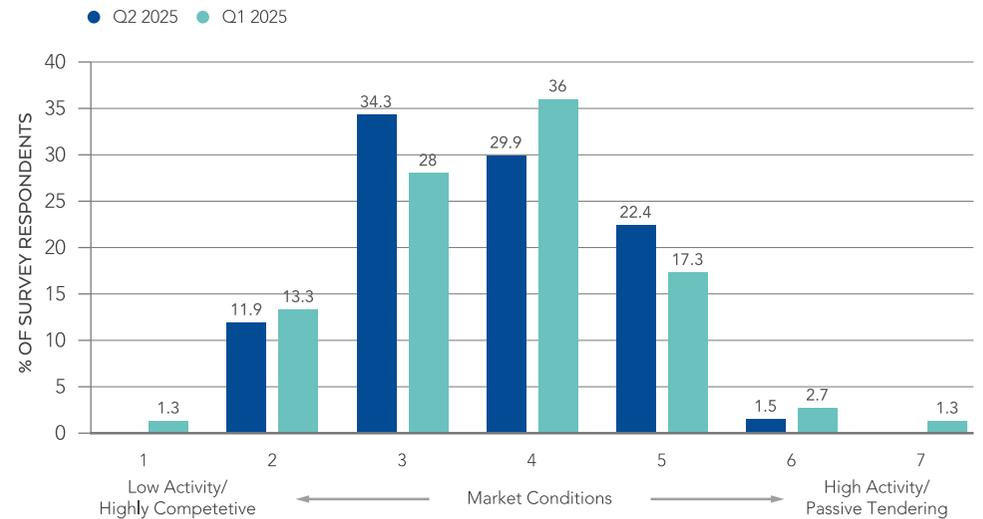
Where bids are being submitted, contractors are frequently building in higher risk allowances and margins to buffer against ongoing supply chain volatility, labour scarcity and programme risk. In effect, risk-adjusted pricing is contributing to upward pressure on costs in certain segments. As a result, although softer pipelines might ordinarily create conditions for price correction, the inclusion of risk premiums is helping to partly offset deflationary trends, particularly where supply capacity is limited or delivery risk remains high.

### UK CONSTRUCTION: NEW ORDERS (ALL NEW WORK)



Source: ONS

### PERCEPTION OF MARKET CONDITIONS OVER THE NEXT SIX MONTHS (UK)



Source: G&T Q2 2025 TPI Survey

While some sub-sectors are experiencing increased bidding competition, this appears more symptomatic of falling workloads than of heightened market confidence. Contractors, particularly in commercial offices and speculative residential schemes, are chasing fewer opportunities. Pre-construction service agreements (**PCSA**s) are increasingly failing to convert into full delivery contracts. Delays at this stage often stem from developer caution, cost uncertainty and a still-fractured funding landscape. The result is a bifurcated pricing environment—more competitive in over-supplied segments, yet firm where contractor capacity is constrained or specialist expertise is required.

External macroeconomic dynamics are compounding these pressures. Direct exposure to US tariffs remains limited for UK construction, as the sector relies primarily European and Asian supply chains. The UK has not mirrored US tariff action and duties on US imports remain unchanged. The UK has not imposed new duties on US imports and recent developments—including a limited UK-US trade agreement—have reduced some bilateral friction, although the deal's scope is narrow and its impact on construction is likely to be negligible.

More significantly, the US has temporarily lowered tariffs on Chinese imports for 90 days (from 145% to 30%), with China reciprocating by reducing its own tariffs on US goods (from 125% to 10%). While this may ease some global trade tensions and reduce the risk of further escalation, the short-term nature of the agreement limits its stabilising effect. For UK construction, the indirect consequences remain more relevant: global demand uncertainty, volatility in input pricing and weakened investor confidence.

Previous concerns about Chinese exporters “dumping” excess product into European

markets—particularly steel and aluminium—may now ease slightly, though any price impact is expected to remain marginal and temporary. A more sustained slowdown in the US would still represent a key risk, potentially depressing UK capital markets and delaying client-side investment decision-making.

On the upside, expected interest rate cuts may offer some respite by improving scheme viability. Easing borrowing costs, coupled with tentative signs of recovery in planning approvals—thanks to recent government reforms—could lend mild upward pressure to workloads in late 2025. Nonetheless, this support is not expected to drive a rapid resurgence, but rather to act as a stabiliser for a sector still seeking equilibrium.

Looking forward, most market participants anticipate subdued growth and a patchy recovery for the remainder of 2025. However, pockets of resilience—particularly in infrastructure, public sector retrofit and fit-out—will provide some ballast, but the prevailing mood is one of cautious stability, with most waiting for clearer economic signals before re-engaging at scale. For now, stagnation—not contraction—best captures the current mood in UK construction.

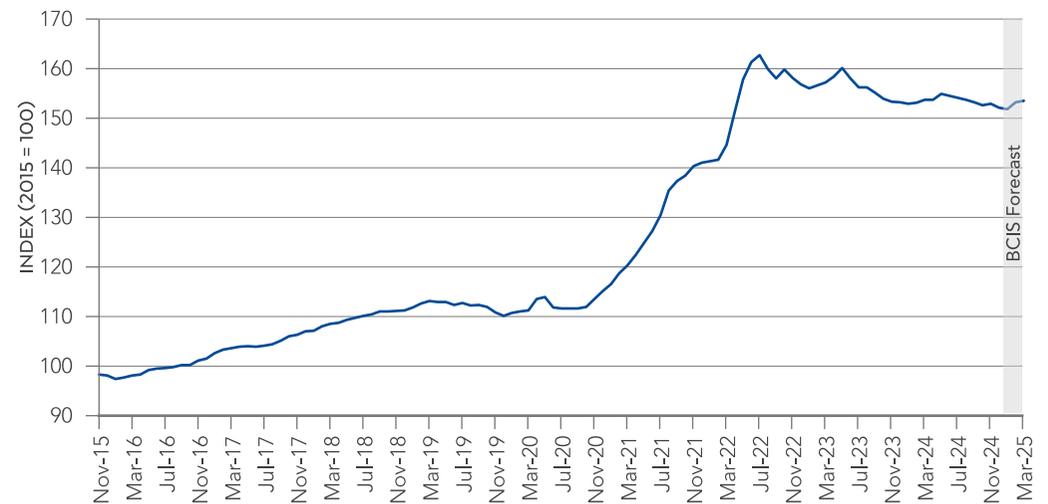
## INPUT COSTS

### Key Inflationary Drivers

With employment costs, compliance fees and supply-chain constraints all on the rise, contractors continue to face significant inflationary pressure. Counter-vailing forces—such as weaker GDP growth projections, planning and procurement delays limiting active tenders, and moderation in certain material costs—are tempering inflationary pressure. The table below summarises these inflationary drivers alongside the key deflationary factors that are helping to offset them.

INFLATIONARY PRESSURES	DEFLATIONARY PRESSURES
<ul style="list-style-type: none"> <li>• <b>Rising employment costs</b> (NIC increases from April 2025, National Living Wage uplifts)</li> <li>• <b>Tier 1/2 contractors focused on delivering secured workload</b>, limiting willingness to chase speculative bids</li> <li>• <b>Supply-chain consolidation</b> reducing available capacity and boosting supplier/sub-contractor pricing power</li> <li>• <b>Severe labour shortages</b> in key trades, driving wage competition</li> <li>• <b>Compliance and insurance cost inflation</b> under the Building Safety Act (including specialist expertise fees and heightened liability premiums)</li> <li>• <b>Material price escalation risk</b> in H2 2025 due to renewed supply-chain disruption, regulatory volatility and uncertainty around future tariff realignments as temporary trade relief measures expire</li> <li>• <b>Strong public-sector pipeline</b> (energy, telecoms, infrastructure) absorbing significant contractor capacity</li> <li>• <b>Contractor risk premiums rising</b>—reluctance to offer fixed-price tenders due to pricing volatility, geopolitical/trade-policy uncertainty and long-lead, import-dependent package risks</li> <li>• <b>Further interest-rate cuts</b> may unlock delayed schemes and reduce tender competition, driving prices upward as new work comes on stream</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Lower GDP growth forecasts</b> and global economic uncertainty dampening investor confidence and new project starts</li> <li>• <b>Weaker pipeline visibility</b>, prompting contractors to sharpen pricing to win the few active tenders</li> <li>• <b>Procurement and planning delays</b> have reduced the volume of live tenders, intensifying competition and eroding margins</li> <li>• <b>Moderation in certain material prices</b> due to softer demand and improved availability</li> <li>• <b>Aggressive bidding by lower-tier contractors</b> targeting higher-value work to secure scarce projects</li> <li>• <b>Temporary risk of trade-diverted imports</b>, as Chinese exporters respond to shifting US tariffs—potentially softening material prices. Impact likely to be limited by UK safeguards and the short-term nature of the tariff relief</li> <li>• <b>Subdued demand in speculative offices and residential</b>—competition is intensifying, with contractors willing to accept lower margins or less favourable terms</li> <li>• <b>PCSA agreements not converting to contracts</b> across multiple sectors, freeing up capacity and increasing competition for live opportunities</li> <li>• <b>Developer caution on capex</b>: funding constraints and tighter lending criteria mean some schemes are paused or downsized</li> <li>• <b>Emerging planning reform lag</b>: although intended to accelerate approvals, the current delay in implementation continues to constrain tender volumes</li> </ul>

DBT: 'ALL WORK' CONSTRUCTION MATERIAL PRICES INDEX, UK



Source: **DBT**

**Material Trends**

The DBT has suspended publication of its material price data pending a full methodological review, with no official figures released beyond January 2025. In the interim, BCIS has stepped in with provisional estimates, using its own modelling techniques to replicate the DBT indices. The All-Work Construction Material Prices Index fell by 0.7% in the year to January 2025 and now sits 6.7% below its July 2022 peak. Nevertheless, prices remain elevated—still 36.8% higher than in January 2020, before the pandemic-triggered surge. BCIS’s preliminary forecasts for February and March point to a modest rebound in prices.

One possible contributor to this projected uptick is precautionary procurement. Some buyers appear to have brought forward orders or built up inventories in response to US tariff escalations—an effort to hedge against renewed price volatility and supply disruption. At the same time, a short-lived spike in UK and European gas prices during Q1 2025 exerted upward cost pressure on energy-intensive materials via fuel-linked surcharges.

Steel, in particular, has seen renewed pricing pressure—partly due to elevated risk premiums linked to British Steel’s financial stability earlier in the year. Market concerns around potential domestic capacity cuts, especially in long steel products such as rebar and structural sections, further unsettled sentiment until emergency government intervention helped to stabilise operations.

According to the Construction Leadership Council’s (CLC) Material Supply Chain Group (April 2025 statement), the UK construction materials supply chain remains broadly stable. However, regional tight spots persist for aircrete blocks, insulation and several timber lines—notably CLS, carcassing and battens.

Price increases announced in Q1 have largely been implemented, typically ranging from 3–7%, though specific items such as PIR insulation have seen hikes of up to 10%.

The CLC noted there is currently no sign of a surge in Chinese steel inflows into the UK. Structural barriers remain: most Chinese steel is rolled to US dimensions and specifications, which are incompatible with British and European standards. Moreover, the growing focus on embodied-carbon disclosure dampens demand for higher-carbon imports.

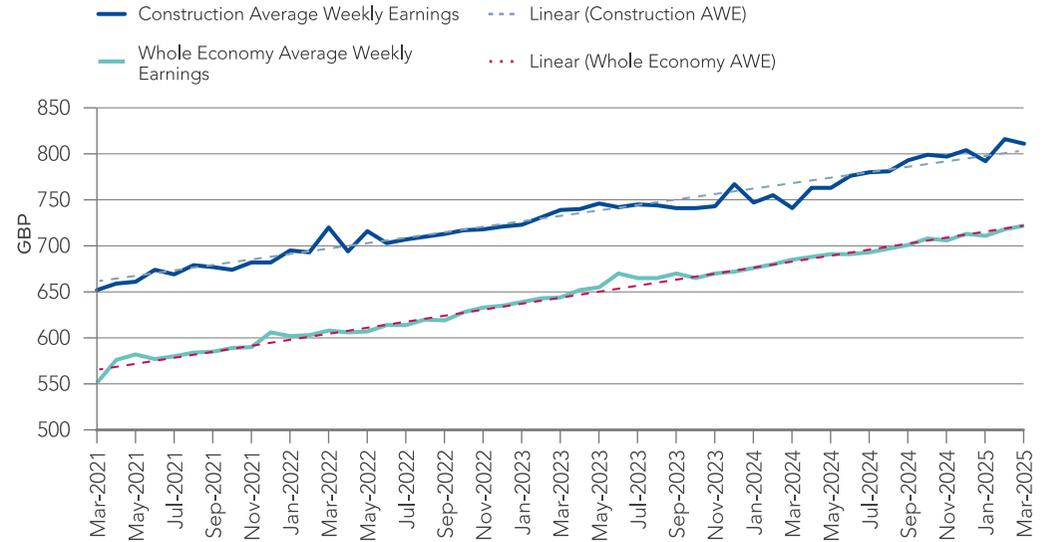
A more plausible trade diversion risk stems from other steel-exporting nations such as Turkey, Vietnam and South Korea. These countries are increasingly targeting the UK as an alternative outlet for surplus capacity, enabled by:

- 1. Tariff-free access:** These countries are largely exempt from UK anti-dumping measures (unlike China and Russia), giving them greater pricing flexibility
- 2. Standards alignment:** Many producers in these regions manufacture to EN or BS specifications, allowing smoother integration into UK supply chains
- 3. Excess capacity:** With domestic demand softening and US market access tightening, producers are operating with surplus inventory

Any price softening from this redirected supply is likely to be confined to standardised, lower-spec items—such as generic rebar and universal beams—where regulatory and ESG thresholds are less prohibitive. However, UK safeguard mechanisms, including tariff-rate quotas (which cap the volume of steel that can be imported tariff-free from specific countries/regions) and selective anti-dumping duties, will likely moderate both the scale and duration of any deflationary effect.

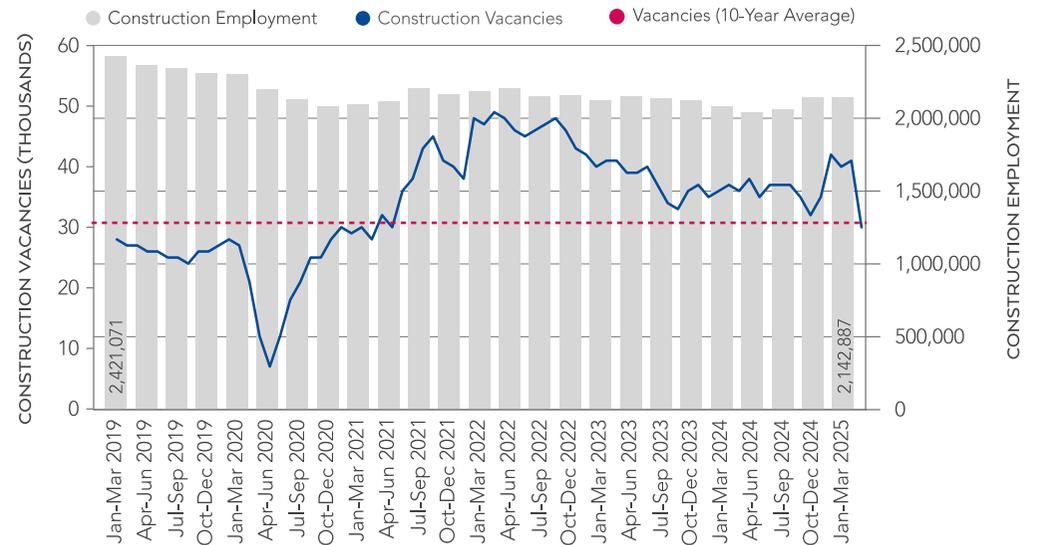
**AVERAGE WEEKLY EARNINGS (UK CONSTRUCTION)**

*Seasonally adjusted*



Source: [ONS](#)

**CONSTRUCTION VACANCIES V EMPLOYMENT**



Source: [ONS](#)

Across all categories, any price relief from trade diversion is expected to be modest and temporary. Global markets typically self-correct: producers scale back output, surplus is absorbed into other markets, and rising freight costs erode pricing advantages. The CLC has flagged global shipping disruption as a watchpoint. While product availability in the UK remains unaffected for now, some vessels have been diverted or delayed in port. As the CLC notes, the pandemic demonstrated how logistical friction can quickly translate into delivery delays and cost escalation if allowed to persist.

### Labour Trends

Wage pressures remain entrenched in UK construction, even as some headline indicators suggest a softening labour market. According to the ONS, average weekly earnings (**AWE**) in construction rose 7.8% year-on-year in the three months to March 2025, reaching £811—more than £100 above the whole-economy average (£711), which rose by 5.5%. Construction pay has now increased by roughly 25% since early 2020, outpacing broader earnings growth and maintaining a steep upward trajectory.

Notably, this acceleration in pay has persisted even as job openings fall. The number of advertised construction roles dropped by approximately 27% during the February–April 2025 period, compared to the previous three months (November–January), according to the ONS. While some of this drop reflects wider economic uncertainty and delayed project starts, it has not yet translated into wage softening—suggesting that pay pressures are being driven more by chronic skills gaps than by short-term fluctuations in demand.

The Construction Products Association (**CPA**) estimates that up to 25% of the construction

workforce—around half a million people—could retire over the next 10 to 15 years. In response, the government has pledged to bring 60,000 new skilled entrants into the sector by 2029 via Technical Excellence Centres and industry-led training initiatives. While welcome, this is unlikely to bridge the projected skills gap alone.

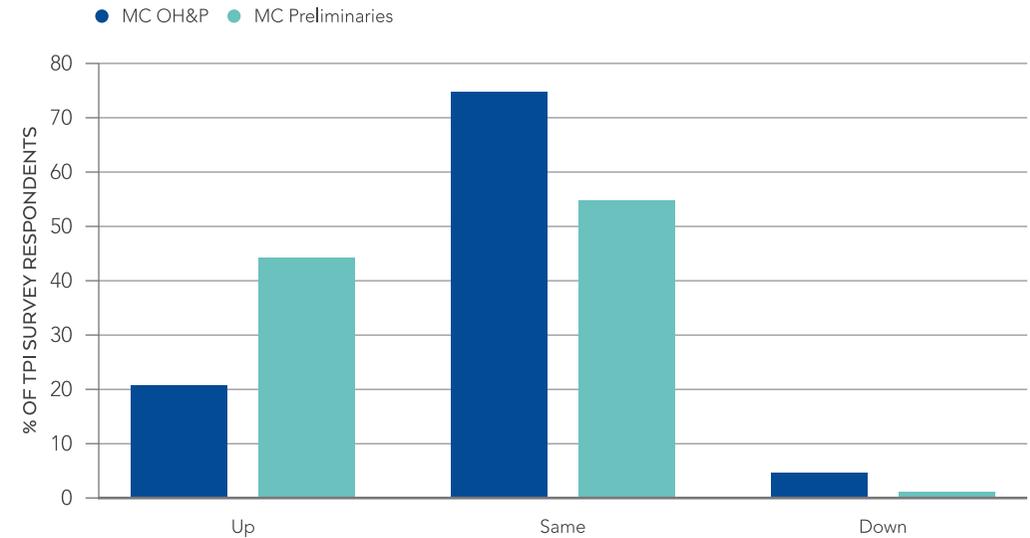
The S&P Global UK Construction PMI for April 2025 reported a fourth consecutive monthly decline in employment, largely driven by the non-replacement of departing staff and sustained pay pressures that continue to limit hiring flexibility. Employers are contending with additional cost burdens from the 7% rise in the national minimum wage and higher employer National Insurance contributions, both of which are compressing operating margins. While some firms have paused recruitment or imposed hiring freezes, demand for skilled trades remains robust—ensuring that labour continues to act as a cost escalator, even as broader market conditions soften.

### On-costs

Over the past three months, Main Contractor Overheads and Profit (**OH&P**) levels have remained broadly stable, with most contractors holding margins flat amid sustained competitive pressure. This is supported by our survey findings, where nearly 80% of respondents across all project values reported no change. However, this apparent stability conceals growing strain: rising input costs, weaker pipelines and escalating delivery risks are putting downward pressure on profitability—even where OH&P percentages remain unchanged.

In contrast, preliminaries are experiencing a higher degree of upward pressure. Key drivers include the April 2025 National Insurance increase, persistent labour shortages, and

### INFLATIONARY PREDICTION FOR MAIN CONTRACTOR OH&P AND PRELIMINARIES OVER THE NEXT 12 MONTHS



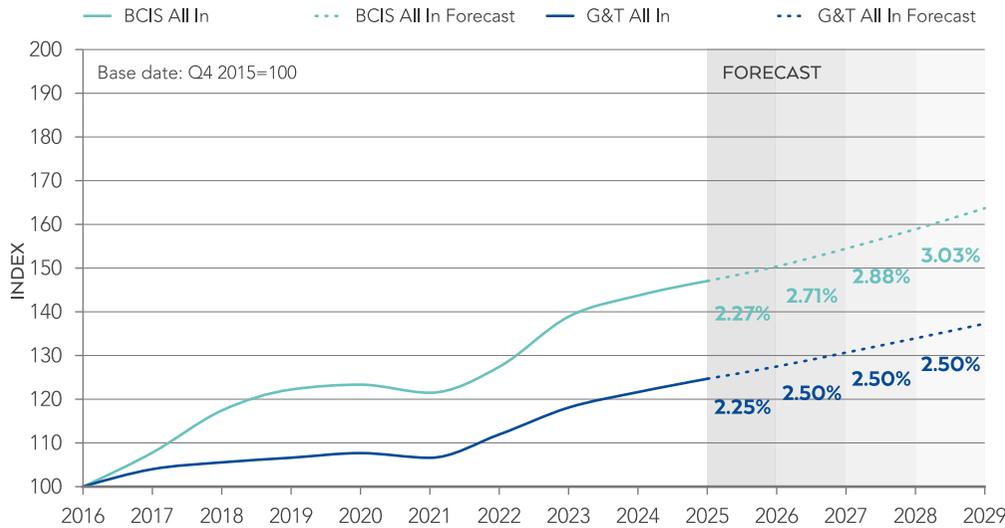
Source: *G&T Q2 2025 TPI Survey*

heightened programme risk. Prelims are increasing most on labour-intensive projects and are often used more flexibly than OH&P to absorb rising costs, given the latter’s greater visibility and sensitivity in tender evaluations.

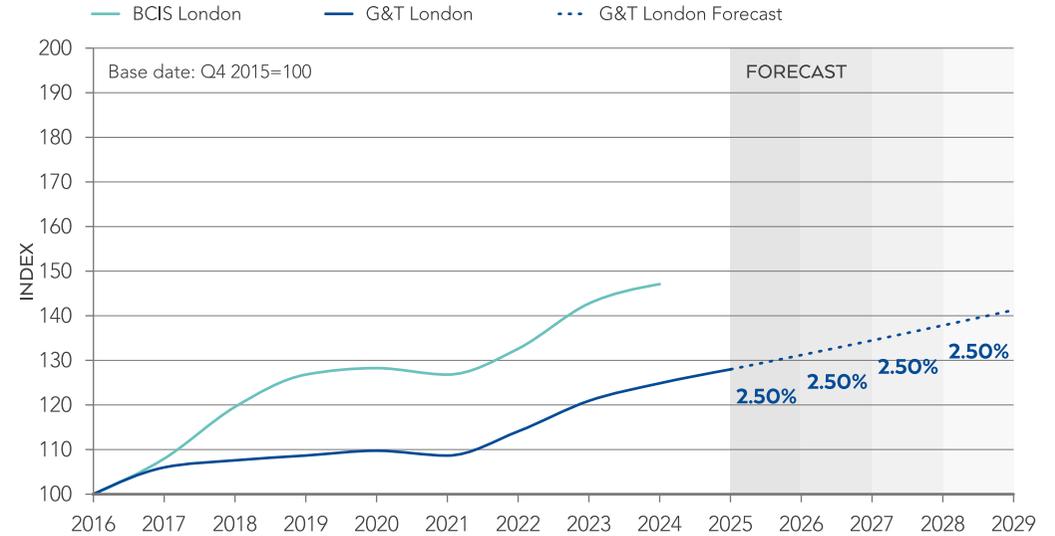
This dynamic is expected to continue. Around 75% of respondents expect OH&P to remain flat over the next 12 months, while 20% foresee increases and just 5% predict reductions. Some noted that contractors may adjust OH&P modestly downwards to stay competitive amid rising labour costs.

By contrast, the outlook for preliminaries is more inflationary. 44% of respondents expect increases over the next 12 months, driven by continued wage pressures, programme risk, and slower client decision-making. Only 1% anticipate reductions. Labour shortages and delivery challenges are likely to prompt further uplifts—particularly on projects vulnerable to timeline slippage or supply chain disruption.

### TENDER PRICE TREND 'ALL UK TPI'



### TENDER PRICE TREND 'LONDON TPI'



Note: BCIS do not publish regional TPI forecasts.

### TENDER PRICE ANNUAL PERCENTAGE CHANGE Q2 2025

%	2025		2026		2027		2028	
	Now	Last*	Now	Last*	Now	Last*	Now	Last*
<b>Regional forecasts</b>								
Greater London	2.50	3.00	2.50	3.00	2.50	2.50	2.50	2.50
South East	2.25	2.75	2.50	3.00	2.50	2.50	2.50	2.50
South West	2.25	2.25	2.50	2.50	2.75	2.50	2.75	2.50
East (Anglia)	3.00	3.00	3.00	3.00	2.75	2.75	2.75	2.50
Midlands	2.50	2.75	2.50	3.00	2.75	3.00	2.75	2.50
Wales	2.25	2.25	2.50	2.50	2.50	2.50	2.50	2.50
Yorks & Humber	1.75	2.00	2.25	2.00	2.50	2.25	2.50	2.25
North West	2.25	2.50	2.25	2.50	2.50	2.50	2.50	2.50
North East	1.75	2.00	2.25	2.00	2.50	2.50	2.50	2.50
Scotland	2.50	2.75	2.50	2.50	2.75	2.75	2.75	2.75
Northern Ireland	2.50	2.25	2.50	2.50	2.50	2.50	2.50	2.50
<b>UK Weighted Average</b>	<b>2.25</b>	<b>2.75</b>	<b>2.50</b>	<b>2.75</b>	<b>2.50</b>	<b>2.50</b>	<b>2.50</b>	<b>2.50</b>

Last\* Q1 2025

### COMPARISON OF PUBLISHED FORECASTS FOR TENDER PRICE CHANGE

G&T UK AVER.	BCIS UK AVER.	G&T LONDON	AECOM UK <sup>1</sup>	ARCADIS LONDON <sup>2</sup>
Q2 2025	Apr 2025	Q2 2025	Q2 2025	Spring 2025

% CHANGE					
<b>2025</b>	2.25	2.27	2.50	3.40	2.00 - 4.00
<b>2026</b>	2.50	2.71	2.50	4.60	3.00 - 5.00
<b>2027</b>	2.50	2.88	2.50	N/A	4.00 - 5.00
<b>2028</b>	2.50	3.03	2.50	N/A	5.00 - 6.00
<b>2029</b>	N/A	2.94	N/A	N/A	5.00 - 6.00

1. Aecom's forecasts reflect its central scenario (UK).  
2. Arcadis' TPI figures are for its 'London Building Construction TPI' series.