News Release

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Global Construction Futures

A global forecast for the construction industry to 2037

Oxford Economics and Aon report released today says global construction work done forecast to grow by US$4.2 trillion over the next 15 years.

- Construction work done up from US$9.7 trillion in 2022 to US$13.9 trillion in 2037—driven by superpower construction markets China, the US and India.
- Growth globally is driven by huge opportunities in the global green economy.
- China growth resumes more steeply in 2025 after real estate challenges.
- Slump in US residential work done underway to blow US$150 billion hole in US construction market and slow growth outlook.
- India forecast to be the fastest growing construction superpower.
- UK set to be fastest growing for construction work done in Western Europe.

- Central bank mismanagement of interest rates could cause a cumulative fall of US$2 trillion globally for construction by 2027 relative to our baseline forecast – knocking off almost 1% from global growth.

Global Construction Futures—a major study of the global construction and engineering industry—published today by the renowned team of construction economists at Oxford Economics examines growth for construction work done over the next 15 years covering all major construction markets globally.

Global Construction Futures has been supported by the global Construction and Infrastructure leadership team at Aon as well as prominent global business leaders—representing around half a million people across the construction and engineering industry.

GLOBAL—Global construction work done is forecast to grow by US$4.2 trillion over the next 15 years—from US$9.7 trillion in 2022 to US$13.9 trillion by 2037.

"Growth in global construction will be underpinned by the superpowers of China, the US, and India which combined will add almost US$2.4 trillion to global construction work done over the next 15 years," says Graham Robinson, Global Infrastructure and Construction Lead at Oxford Economics—one of the leaders of the study. **"India will be the world's fastest growing global construction superpower—becoming a US$1 trillion market by 2037"**, says Robinson.

China, the US, and India will account for 51% of all construction work done globally by 2037—underpinning the future economic development of the three countries that account for over a third of the world's population. China, US, and

India will add almost US$2.4 trillion to global growth in construction work done over the next 15 years.

The world's top 10 construction markets will account for **70% of all global construction** work done by 2037.

UNITED STATES—We expect residential construction work done in the United States to undergo a significant slump in volume before growth resumes in 2024. A combination of rising interest rates and a global correction in house prices is expected to blow a hole of US$150 billion below the water line in US residential construction work done.

Construction work done in the powerhouse US manufacturing and industrial production markets is expected to remain relatively robust, with strong growth supported by the US Inflation Reduction Act.

CHINA—With the relaxation of China's Zero Covid policy, construction work done in **China is expected to resume steeper growth from 2025 after recovery from real estate challenges**. China faces longer-term structural challenges, such as a declining population and slower urbanisation, which will also challenge growth for construction over the longer term.

"Steeper growth in construction work done is expected in China from 2025 after relaxation of its Zero Covid policy and recovery from real estate challenges," says Dr Nicholas Fearnley, Head of Global Construction Forecasting at Oxford Economics, and one of the study's leaders. **"However structural challenges will cause longer-term growth in construction work done to slow"**, says Fearnley.

INDIA—Stronger population growth and rapidly growing urban middle-classes will see India surpass Germany and become the third largest global construction market before the end of the decade. Civil engineering construction will be the fastest growing sector, as the government continues to invest heavily following the coronavirus lockdowns.

GLOBAL GREEN ECONOMY—The global green economy is a huge driver of growth for construction and a massive global opportunity. The wider built environment currently accounts for almost **40% of all global greenhouse gas emissions**.

"Climate change is arguably the greatest challenge for the construction and engineering industry," says James MacNeal, Global Head of Construction and Infrastructure at Aon, a leading global professional services firm. **"The adaptation of existing infrastructure to become more resilient to a warming climate will also be a massive opportunity for the global construction and engineering industry"**, says MacNeal.

"Insurers have a crucial role to play in combating climate change. The approach used by insurers to better incentivise contractors and developers to improve the sustainability of their portfolios has been changing. Those contractors and developers that can demonstrate a proactive approach will be rewarded in their dealings with insurers," MacNeal says.

ASEAN Tigers—The Philippines, Vietnam, Malaysia, and Indonesia will be the four fastest growing construction markets over the next 15 years. While the Philippines, Vietnam, and Indonesia are supported by strong fundamentals, Malaysia's construction growth will be driven by rebound from the coronavirus pandemic.

UK—The UK is expected to be the fastest-growing larger construction market of the major Western European construction markets over the next 15 years, driven by large mega infrastructure projects. The transition of Britain's power networks to renewables by 2035 and greater energy security are key drivers.

WESTERN EUROPE—Funds from the €800 billion EU Next Generation fund have already begun flowing—Spain and Italy are key beneficiaries. The EU Renovation Wave is a second important programme that will impact construction activity, as it aims to double the renovation rate of both residential and non-residential buildings with a target of reducing their greenhouse gas emissions **60% by 2030**. These large programmes will help construction work done to expand nearly one percentage point faster than GDP for the next five years. This growth would be faster were it not for the labour market pressures in European construction. We conservatively estimate that the Renovation Wave alone will require an additional 700,000 workers by 2030, equivalent to 6% of total current construction employment.

LATAM—We expect heightened growth in LATAM from a lost decade of recession and IMF driven austerity. Construction work done in LATAM is currently only **4% higher** than it was a decade ago, held back by a lost decade of growth. Brazil endured its deepest recession in the lead up to the pandemic, and Argentina suffered through an IMF austerity programme. Growth in construction work done across LATAM is set to remain higher. Countries such as Chile and Peru will benefit from supplying resources to support the greater electrification of the world's infrastructure.

UKRAINE and Eastern Europe—There is expected to be heightened growth in Eastern Europe over the next 15 years, **as an estimated US$1 trillion**

reconstruction effort will need to start when the Russia-Ukraine conflict ends, and with rebuilding after the devastating earthquakes in Turkey.

SAUDI ARABIA and MENA—Saudi Arabia is the largest economy in the MENA region and the 17th largest in the world with a **GDP of over US$1 trillion in 2022**. Total volume of construction work done in Saudi Arabia is expected to exceed that in the UAE by 65% by 2037 as construction of Saudi Arabia's Giga Projects drive enormous growth. The population across the wider MENA region is set to grow by almost 120 million people with total construction work done **exceeding US$1.1 trillion by 203**7.

SUB-SAHARAN AFRICA—Sub-Saharan Africa remains a sleeping giant and rivals Emerging Asia as the fastest-growing region globally. The cumulative spending on construction work done across sub-Saharan Africa is set to reach US$3.9 trillion over the next 15 years—with Kenya in East Africa and Nigeria in West Africa being fast-growth markets.

MONETARY POLICY—A scenario where long-term inflation becomes de-anchored from central bank targets and cost and price pressures remain persistently elevated could cause a huge slump in construction activity globally—**a cumulative blowout of US$2 trillion in volumes for construction globally between 2022 and 2027 could be possible against our baseline forecasts if central banks mismanage economies**. This would equate to a drop in volumes of over US$0.5 trillion in 2027, relative to our baseline—wiping out almost one percentage point of growth globally, moving growth down from 2.4% to a very sluggish 1.5% average annual growth each year from 2022 to 2027. Construction work done—which is focused mainly on capital-intensive new construction—is particularly sensitive to higher borrowing costs.

“Normalisation of interest rates brings inevitable near-term headwinds for construction markets globally”, says Jeremy Leonard, Managing Director of Global Industry Services at Oxford Economics, and a leader of the study. **“Monetary policy errors or de-anchoring of inflation expectations could mean stickier, more entrenched inflation, which would force higher borrowing costs for longer and damage construction growth prospects into the medium-term”**, says Leonard.

HIGHER CONSTRUCTION MATERIALS COSTS—Despite easing supply chain pressures and cooling energy prices, our forecasts suggest construction materials costs could be at least 15% higher than pre-pandemic levels when prices bottom out, and higher in the US. Inflation pressures for construction materials look set to be higher than pre-pandemic rates of inflation across the medium-term outlook—driven by persistently higher input costs to manufacturing.

The executive summary report is available below (PDF format). Media may reproduce our charts with attribution to Oxford Economics.

Click here to download the executive summary report

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