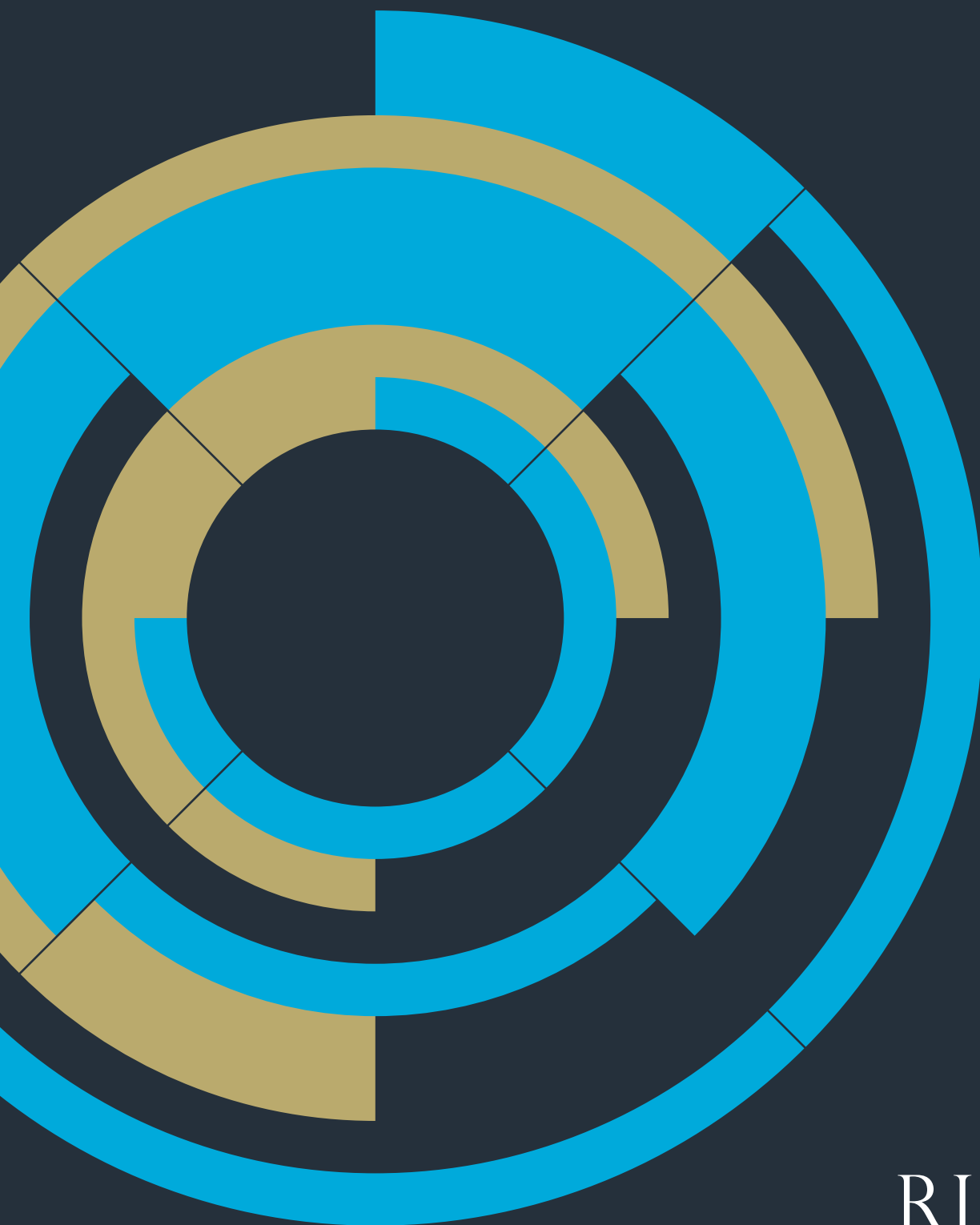


RIBA Quarterly Economics Report

The Architectural Market
Winter | 2024/25



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Introduction

This economic report brings together information from a range of primary sources. It aims to help practices place their work within the broader economic context.

After a post-recession uptick in the first two quarters of 2024, the UK economy has been broadly flat, with only modest growth in Q3 and Q4.

Inflation is slightly above the Bank of England's 2% target. Although inflationary pressures remain, inflation fell slightly in December.

With inflation steadying and growth weak, expectations of further interest rate cuts from the Bank of England are rising.

The current performance of the construction sector remains weak. Nevertheless, recovery is anticipated to gather pace as 2025 progresses. The pace of recovery may be slowed by the falls in business confidence that followed the recent budget.

RIBA is always here to offer help and advice where it can. RIBA [Business and Career Resilience Hub](#), the [RIBA Practice in a Box](#), and regular [Professional Features](#) provide helpful information for practice resilience and success.

RIBA Future Trends Workload Index now stands at

-5

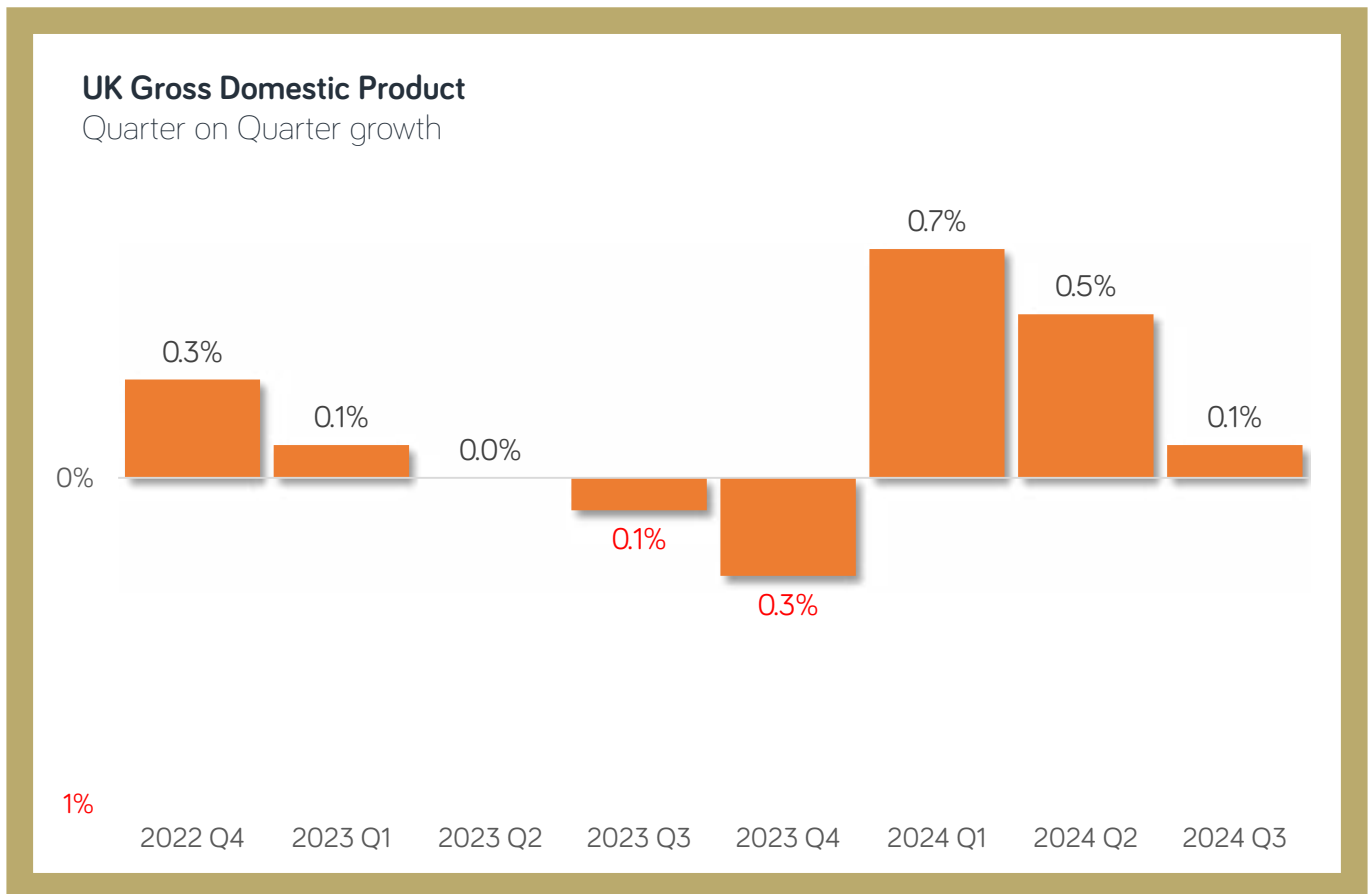
The UK Economy

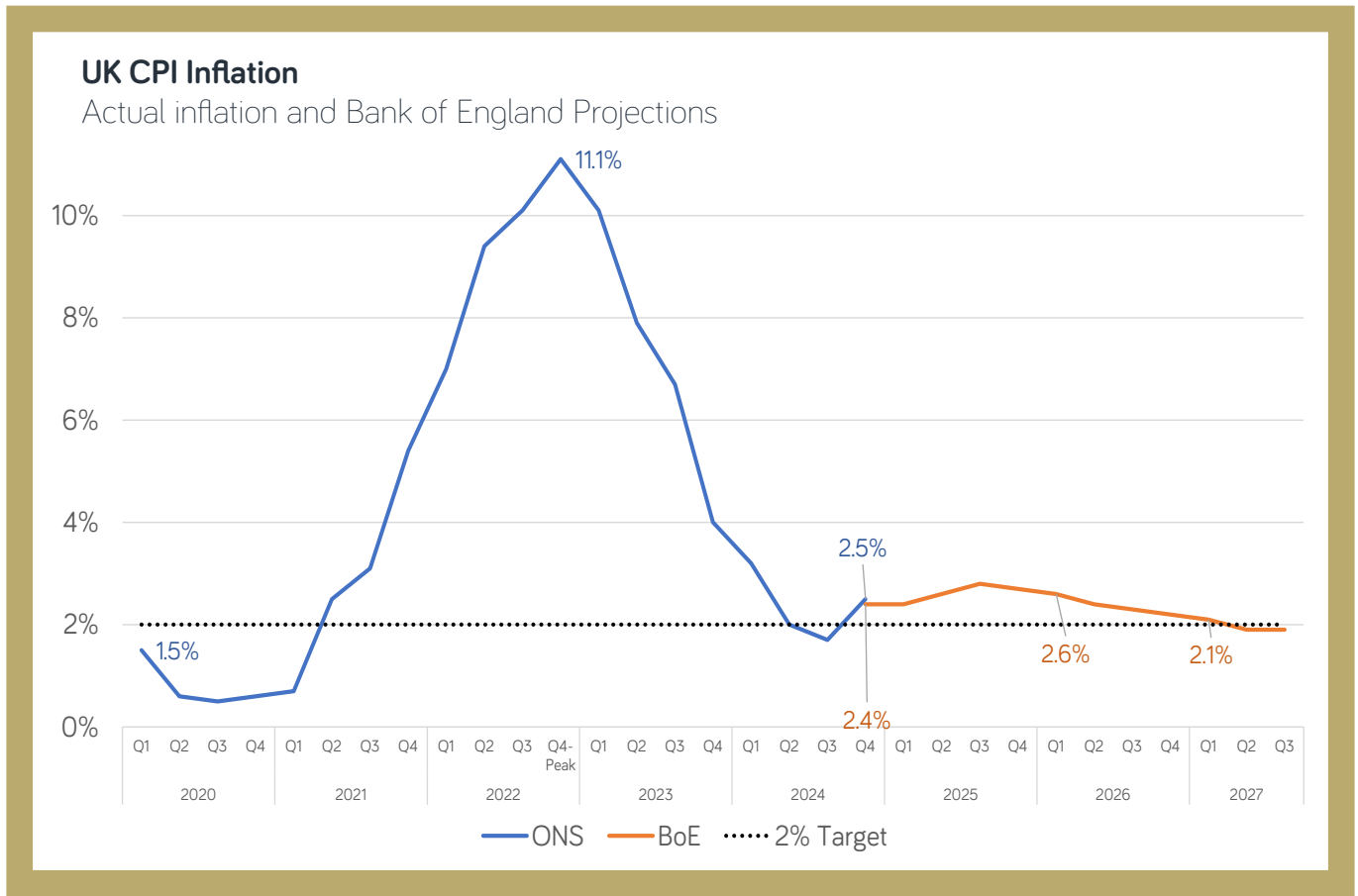
UK Gross Domestic Product

After a strong start to 2024 (following a recession in the second half of 2023), the growth rate of the UK economy has slowed. The Office for National Statistics (ONS) estimates that the UK Gross Domestic Product (GDP) increased by 0.1% in quarter 3 (July to September), following growth of 0.7% in quarter 1 (January to March), following growth of 0.7% in quarter 1 (January to March) and 0.5% in quarter 2 (April to June).

Comparing the **three months** to November 2024 with the three months to July, the overall economy showed no (0%) growth. In these three months, the service sector did not grow, construction grew by 0.2% while production, which includes manufacturing, fell by 0.7%.

The **monthly** data suggests the UK economy grew by 0.1% in November 2024 after a fall of 0.1% in October. The services sector grew by 0.1% in November and construction by 0.4%, but production fell by 0.4%.





UK Quarterly CPI: Source ONS and Bank of England (BoE)

Consumer Price Inflation (CPI) has fallen slightly but remains above the 2% target level. CPI rose by 2.5% in the 12 months to December 2024, down from 2.6% in the 12 months to November.

The Bank of England anticipates inflation remaining a little above the 2% target in the coming two years, peaking in Q3 2025, then gradually falling to below the 2% target by 2027.

Following the recent budget, the Office for Budget Responsibility (OBR) revised its inflation projections upwards, because of increased government spending, wage growth, and the rise in employer National Insurance Contributions being passed on to customers. The OBR anticipate 2.6% inflation in 2025, falling to 2.1% in 2026.

With the Bank of England base rate now at 4.75%, the OBR anticipates it falling to around 3.9% by the end of 2025, higher than previously forecast in March.

Recent falls in the value of the pound may add to inflationary pressures.

In their latest Financial Stability Report the Bank of England notes that a combination of global geopolitical tensions, reduced co-operation between nations, global economic uncertainty and the pressures of historically high levels of UK debt combine to make the outlook for the UK more risky and uncertain.

In the last full forecast (November), the Bank of England anticipates steady, but historically subdued GDP growth,

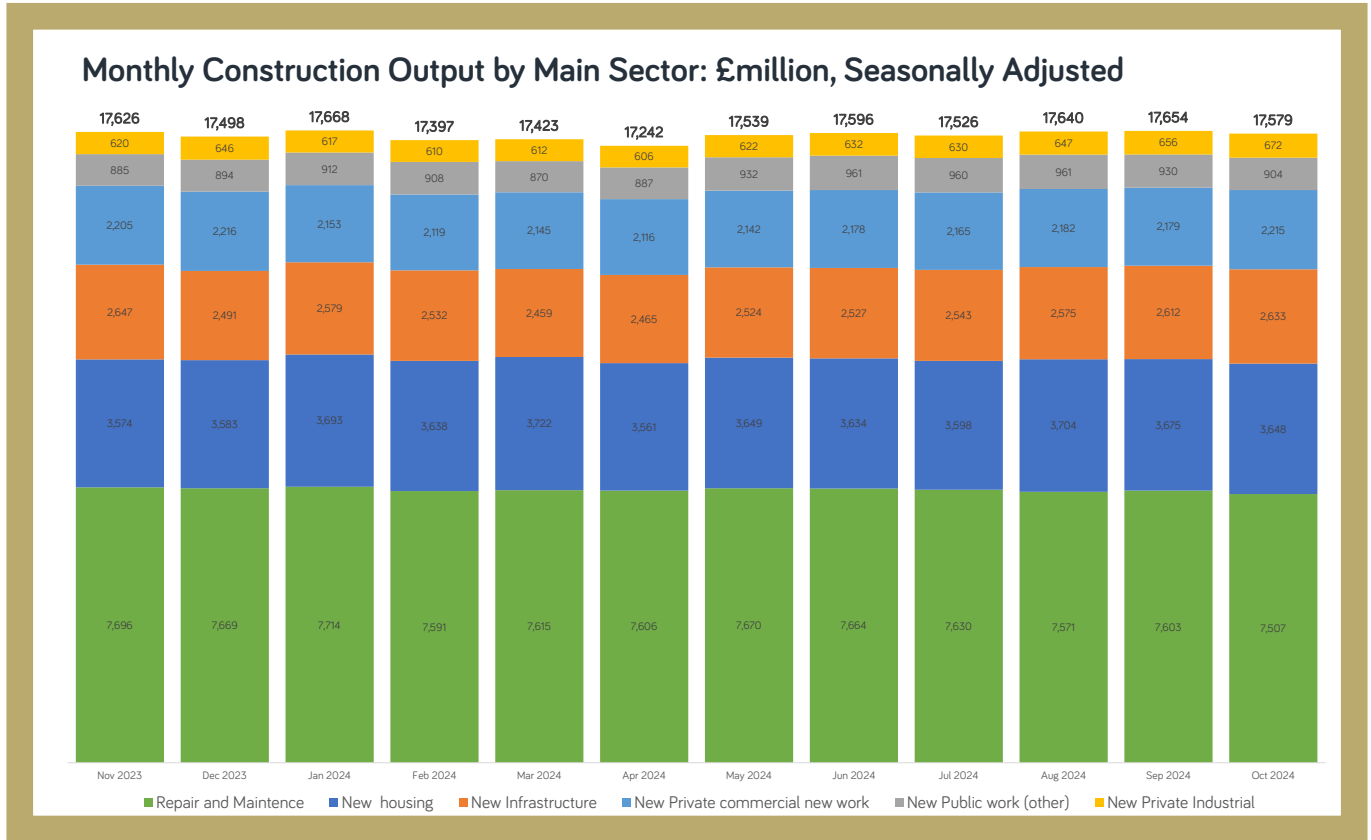
The Bank of England's central forecast for UK GDP growth from 2024 to 2027 is:

- 1.7%** in the year to Q4 2024
- 1.7%** in the year to Q4 2025
- 1.1%** in the year to Q4 2026
- 1.4%** in the year to Q4 2027

The OBR forecast is slightly more upbeat, with 2.0% growth forecast for 2025, 1.8% in 2026, and 1.5% in both 2027 and 2028.

Most recently, the IMF anticipate 1.6% growth in 2025, followed by 1.5% growth in 2026.

Construction Output



Monthly Construction Output, source ONS

In their latest release of Construction Industry Output data (December 2024), the ONS describe construction output overall as having contracted in the last reporting month, October. Sector performance was mixed, as falls in repair and maintenance offset growth in new work.

Monthly construction output fell by 0.4% in October, following an increase of 0.1% in September.

Four of the nine construction sectors monitored fell in October. Housing repair and maintenance, which includes domestic extensions and refurbishments, fell by 3.8%

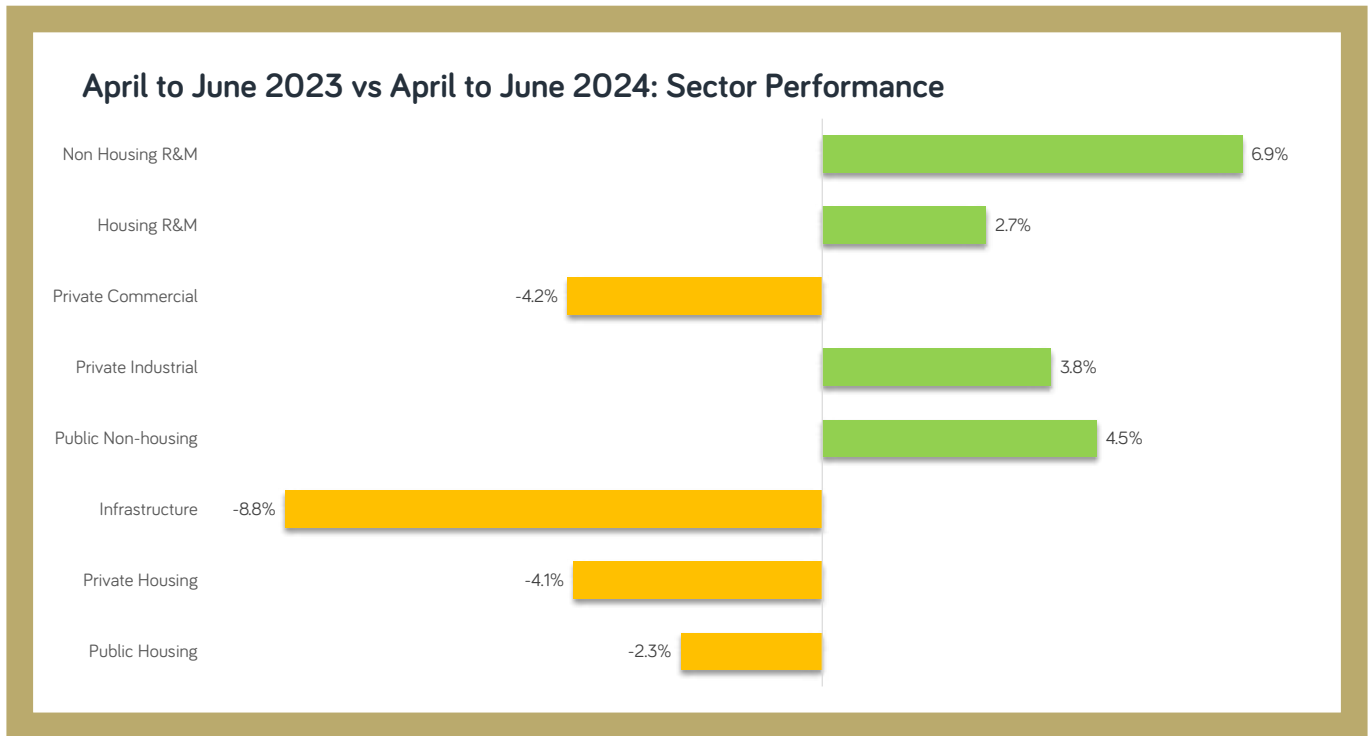
The ONS estimate that construction output grew by 0.4% in the **three months** to October 2024; this came from an increase in new work (1.7%) while repair and maintenance contracted by 1.2%.

ONS data on New Construction Orders suggests demand for construction work is slackening. July to September 2024 showed a 22% fall in the value of new orders compared with April to June and a 9.4% fall compared with July to September 2023.

Construction output is estimated to have grown by

0.4%

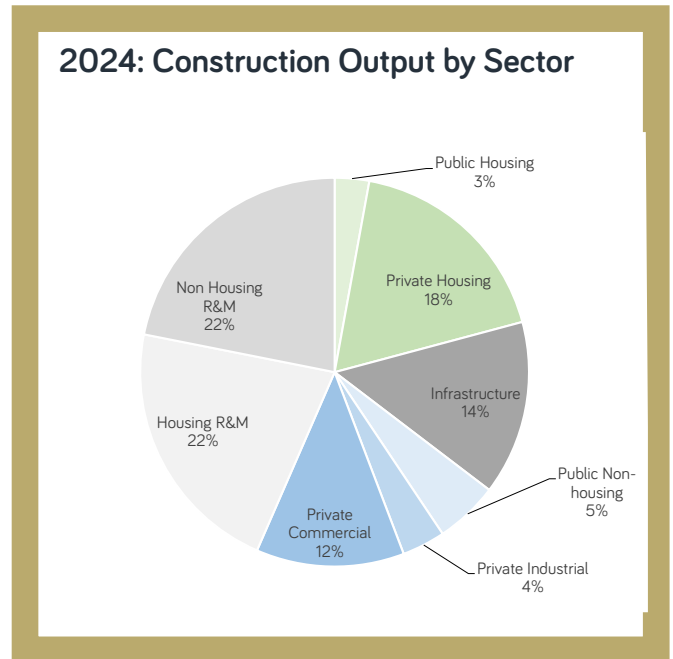
in the three months to October 2024



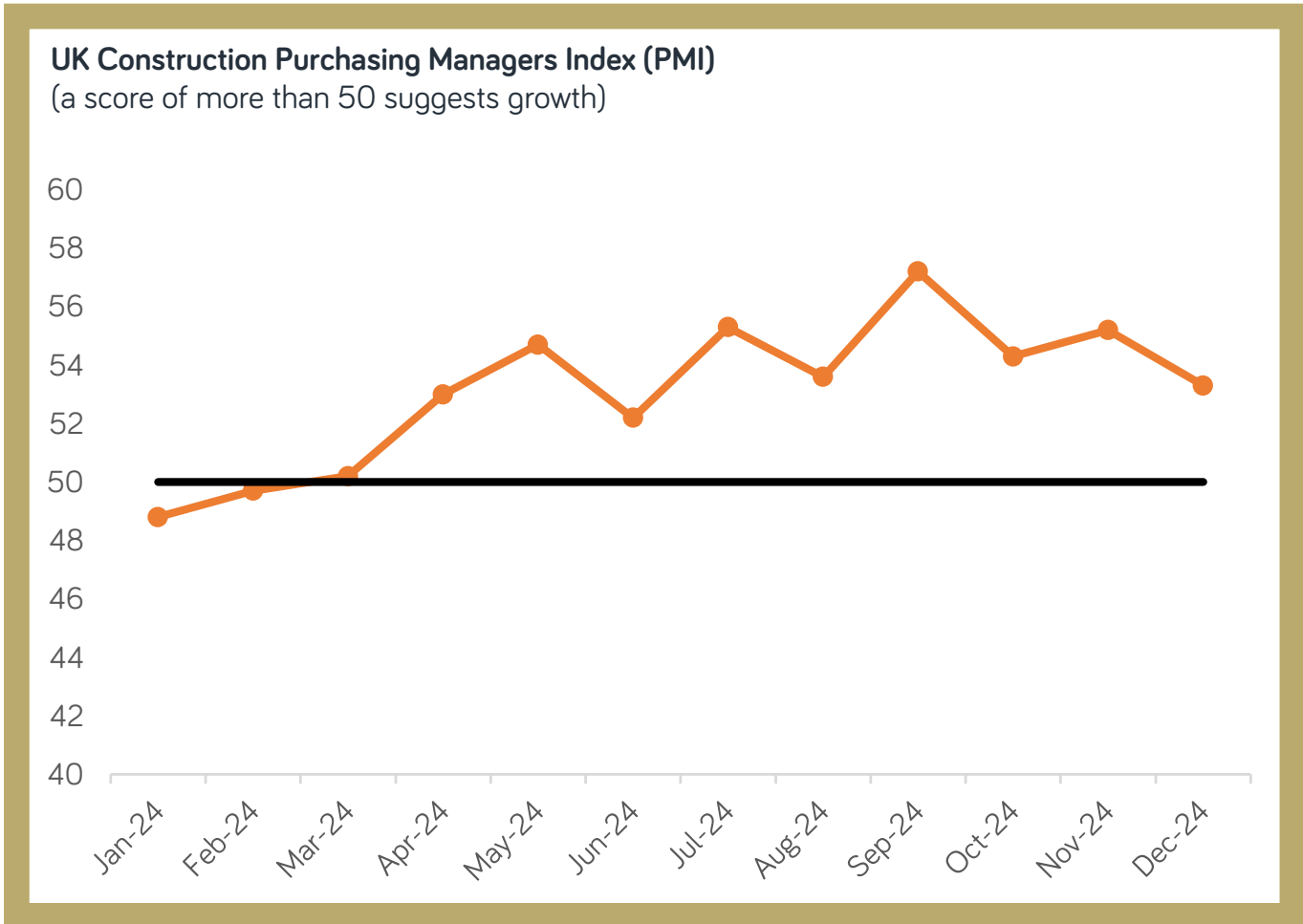
Construction Output by Sector, source ONS

Looking more closely at the quarterly output data by sector, by comparing July to September 2023 with the same period in 2024, repair and maintenance (R&M) has been the best-performing sector, with housing R&M growing by 2.7% and non-housing R&M by 6.9%.

Within new work, the best-performing sectors have been public non-housing, which has grown by 4.5%, and private industrial (which includes warehouses and factories), which has grown by 3.8%. In contrast, Public Housing (-2.3%), Private Housing (-4.1%) and Commercial work (-4.2%) have all seen shrinking quarter-on-quarter output.



Construction Output, Sector Contribution, source ONS



Construction PMI, source S&P Global / CIPS

Confidence in the Construction Industry

S&P Global / CIPS monitors activity in the UK construction sector through its monthly Purchase Manager’s Index (PMI). A PMI score of over 50 indicates growth compared with the previous month, and a score below 50 indicates comparative contraction.

The December 2024 PMI Index remains positive but fell to 53.3, down from 55.2 in November. Business activity in the construction sector is now growing at its slowest rate since June.

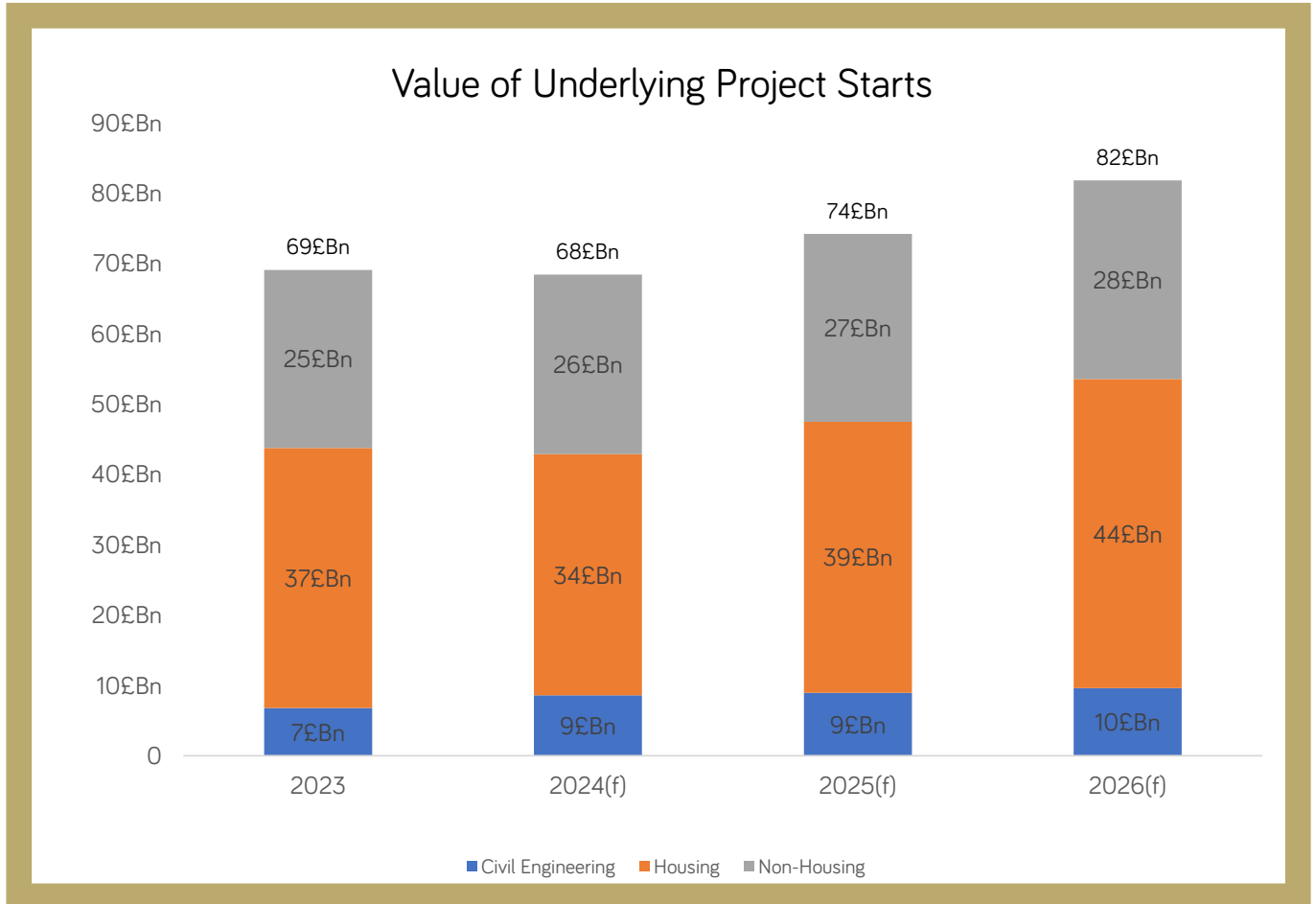
The Commercial sector recorded the best performance in December, posting a 55.0 PMI score, followed by civil engineering (52.9). The residential sector, however, recorded an overall output fall (47.6).

S&P Global give a measured summary of market conditions:

“December data highlighted a loss of momentum for construction output growth, with all three main categories of activity posting weaker performances than in the previous month.

“Concerns about the demand outlook weighed on construction sector growth expectations for 2025. Although confidence recovered after a post-Budget slump during November, it was still much weaker than in the first half of 2024. Many firms reported worries about cutbacks to capital spending”

Construction Output: Future Projections



Construction Starts: source Glenigan

The Glenigan Construction Industry Forecast 2025-2026 provides a view of the industry’s future performance based on the value of project **starts** (rather than output value). It excludes projects with a value greater than £100m.

As the UK economy gradually improves, household incomes grow, and government capital spending increases, construction starts are set to accelerate in 2025 and 2026. Glenigan forecasts that the industry will enter a period of strong year-on-year growth, with the value of new starts increasing by 8% in 2025 and 10% in 2026, after a 1% contraction in 2024.

Sectors identified as leading the growth include private housing (13% forecast growth in 2025 and 15% in 2026), social housing (11% and 11%), offices (18% and 4%), and hotel and leisure (6% and 9%). Although growth in the health sector is anticipated to be sluggish in 2025 (1%), the 2026 forecast here is for rapid growth (10%).

Value of Underlying Project-Starts 2025

+8.0%

Glenigan

Architectural Workload

RIBA Future Trends Workload Index*

At the end of 2024, the profession remains pessimistic about future workloads, although the outlook has improved somewhat after the drop in confidence that followed the November budget.

The November fall in confidence followed a sustained, gradual, recovery in outlook in the first half of the year and steady, though muted, optimism in the second half.

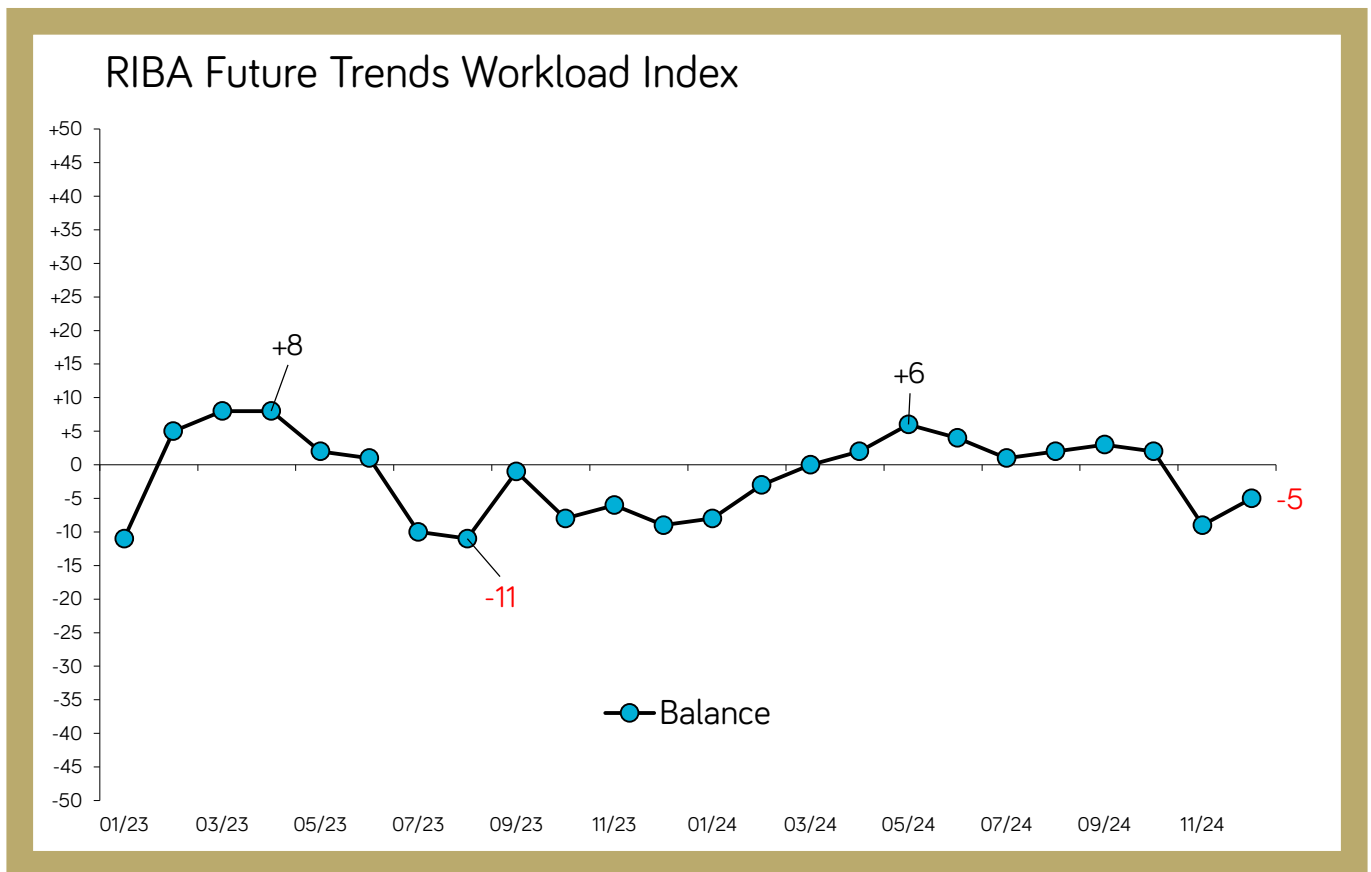
December's RIBA Workload Index rose 4 points to -5, following November's figure of -11.

Only one region, the North of England, ends the year optimistic about coming workloads.

The contrasting outlook between small and medium/large practices has been a feature of 2025. Smaller practices are pessimistic about future work, while medium and large practices expect workloads to grow.

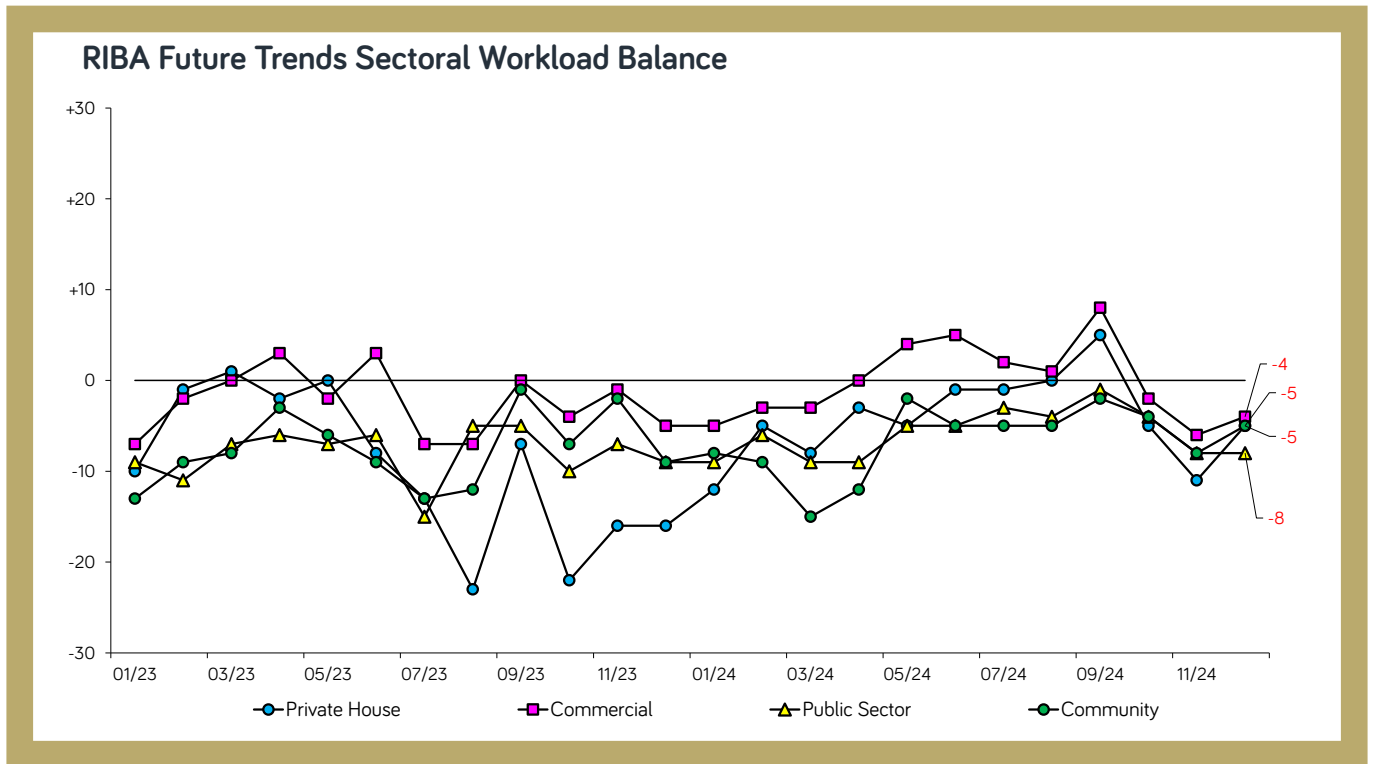
Staffing intentions remain positive however, with the RIBA Future Trends Permanent Staffing Index closing the year at +2, as practices, on balance, intend to recruit permanent staff over the next three months.

The 2024 RIBA Future Trends reports are [here](#).



*The RIBA Future Trends Workload Index figure is the difference between those expecting more work and those expecting less. A positive score indicates that, on balance, practices expect workloads to increase.

Architectural Workload Index* by Sector



RIBA Future Trends Workload Index by Sector, source RIBA

Looking at the four work sectors monitored through RIBA Future Trends, all sectors are pessimistic about coming workloads.

The outlook for **Private Housing** recovered in the first three quarters of 2025, with a Workload Index of +5 in September - the first positive balance since spring 2023. However, the year's final quarter saw confidence in the sector fall back, with the profession again anticipating shrinking housing workloads. The year ended with an Index figure of -5.

The **Commercial** sector, which includes work to offices, retail and entertainment, has had the most positive outlook throughout 2024, though it too has ended the year with pessimism, with a workload balance figure of -4.

The **Community** sector includes work for not-for-profit organisations such as work with churches, charities and trusts; its Workload Index figure remains low, currently standing at -5, although this is higher than the average -7 sector score in 2024.

The outlook for the **Public sector** ends the year in negative territory, as it has been since March 2022. We continue to anticipate more clarity once the government's spending and delivery plans are announced and implemented.