

Continued weak growth forecast for construction industry in 2023 - GlobalData

Growth in the global construction industry is forecast to remain sluggish in 2023, expanding by just 0.8%, according to GlobalData's latest report, [Construction market size, trends and growth forecasts by key regions and countries, 2023-2027](#).



Source: www.pixabay.com

Excluding China, the industry will contract by 0.1% due to the weak economic backdrop and additional challenges specific to the global construction industry, notably high construction material costs and labour shortages.

The report reveals that the global construction industry expanded by 2.1% in real (constant prices) terms in 2022, with the pace slowing from the 3.8% growth recorded in 2021. The deceleration reflects the challenging conditions in most markets around the world in the form of high inflation and a tightening in monetary policy that dampened investment.

Sharp decline in US activity

Excluding China, which posted an expansion of 5.5% last year, the global construction industry edged up by just 0.6% in 2022. A sharp decline in US construction activity in real terms was a key factor in the weak global outturn last year, along with a slowdown in Europe, where major markets have been grappling with an energy crisis.

Danny Richards, construction analyst at GlobalData, comments: "The anticipated poor performance in 2023 reflects the downturns across advanced economies, with Europe as a whole expected to shrink by 2.8%, North America to fall by 0.9%, and Australasia to contract by 1.5%. Growth in emerging markets will be positive, but the pace of growth will slow to 2.4% from 4.6% in 2022. GlobalData forecasts that the global construction industry is expected to regain some growth momentum from 2024, assuming an improvement in global economic stability, with output expanding by 3.0% in 2024 and recording an annual average of 4.2% during 2025–2027."



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Western Europe outlook gloomy

The outlook for construction in Western Europe is gloomy, with activity being hit by a decline in investor confidence amid a looming economic recession and high inflation. Some markets outperformed in 2022, with Greece and Italy recording high rates of growth, with activity bolstered by EU funding, while others were notably weak, such as Germany, which contracted by 2.2%. Most markets will suffer a downturn in 2023, with growth prospects hampered by weak investment growth and high prices for key construction materials and energy costs, a trend that has been exacerbated by the impact of the Ukraine war given the importance of commodity supplies from Russia and Ukraine.

Richards concludes: “Underlying macroeconomic instability has pushed down growth in North America, and in particular, the residential sector has suffered heavily as a result. Inflationary pressure is beginning to subside, and the Federal Reserve is beginning to wind down rate hikes, which bodes well for a recovery in growth. The outlook over the latter part of the forecast period has been bolstered by the stronger outlook for infrastructure construction in the US.”

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