Industry trends construction July 2025

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Global construction performance: The industry is facing less growth in 2025

After increasing 2.7% last year we expect global construction output growth to slow down to 1.4% this year, followed by 2.1% in 2026.

US tariffs and related retaliatory measures have increased business uncertainty, leading to lower commercial construction spending. Companies are delaying investment decisions until the outlook for the global trade environment becomes clearer. As a result, the non-residential construction segment is expected to grow by just 1% annually in 2025 and in 2026.

Global residential construction is forecast to expand by 1.4% this year. There will be a subdued performance in some major economies, as still elevated interest rates weigh on affordability of property and demand for housing.

The civil engineering sector saw robust growth rates in 2023 and 2024. The segment is forecast to grow by 1.9% in 2025 and 2.4% in 2026, driven by public investments in energy security and green transition.

Construction materials costs have decreased from historic peaks seen in 2022 and 2023, but remain elevated in many countries. This leads to ongoing pressure on margins and reluctance to commit to building projects. A shortage of skilled construction labour and high labour costs are structural issues in many advanced economies.

United Sates: Rising uncertainty prompting businesses to delay building projects

We expect US construction output growth to cool down to 0.7% in 2025 and 0.4% in 2026. Trade policy uncertainty and weakening consumer confidence weigh on the US economy, constraining construction through suppressed investment and activity.

We expect non-residential construction output to contract by 1.4% in 2025 and by 4.1% in 2026. Rising uncertainty is prompting businesses to delay building projects and withhold investment while awaiting further clarity.

Residential construction is expected to grow by 0.9% in 2025 and by 1.1% in 2026. Mortgage interest rates have stayed higher than expected amid uncertainty over government spending and tariffs. This will keep housing demand subdued.

Civil engineering performance remains robust, expected to grow by 3.4% in 2025 and by 5.5% in 2026. The subsector benefits from ongoing infrastructure investment. However, the large budget deficit could impact federal spending on construction in the mid-term.

The producer price index for construction material remains much higher than before the recent inflationary period. It is likely to stabilise at a higher level, but tariffs could cause prices to rise again. The construction labour market is tight, and the current policy to curb immigration and implement more deportations could exacerbate labour shortages in the industry.

For the time being the US construction industry as a whole remains resilient, despite pressure on profit margins due to elevated interest, materials, and labour costs. We expect no deterioration of the sector´s credit risk in the coming six months.

China: Lower growth despite policy support

We expect Chinese construction output to slow down to 1.7% this year and to grow 2.3% in 2026.

In order to ease the property sector crisis, the government has provided mortgage rate cuts, eased restrictions on home purchase, and funded support for targeted property projects (e.g. social housing). Those policy efforts to boost housing demand have shown some signs of success. Property developers are still facing strict regulation and financial pressure.

Non-residential building is forecast to grow 2.2% in 2025. The subsector suffers from lower private investment due to tariffs and trade uncertainty.

The risk of payment delays and insolvency in construction is above the industry average in China, especially for private contractors and real-estate developers.

India: Infrastructure investment drives growth

India's construction output growth is expected to increase by 2.8% in 2025 and 3.5% in 2025. Growth is mainly driven by investment in infrastructure (roads and railways) and industrial construction.

The residential and non-residential buildings sectors are forecast to expand by an annual average of more than 6% from 2023 to 2032.

Despite the benign growth outlook, the sector is marred with issues. Delays, defaults and insolvencies are common due to overrunning projects. Payment delays are expected to persist, influenced by ongoing bureaucratic challenges and financial constraints.

Southeast Asia: Public projects underpin construction expansion

Construction demand is stable in Southeast Asia, partly driven by the major role played by government projects to improve infrastructure and energy development. 2025-2026 annual construction output figures for Indonesia, the Philippines, Thailand and Vietnam are robust (more than 4% annual increase on average).

Despite growth, construction industry margins are under pressure from competition and commodity prices. The industry is highly leveraged. Many markets, in particular Thailand and Vietnam, are experiencing an increase in payment delays and insolvencies, often caused by project delays and volatile materials prices, leading to liquidity shortages.

Eurozone and UK: Zero growth in 2025, followed by a modest rebound next year

Construction activity across the eurozone is expected to level off at 0.0% in 2025, followed by a 1.4% increase in 2026. Tariffs will reduce private investment through a combination of higher business uncertainty, lower demand and higher costs.

Residential construction activity remains subdued in 2025, but recent European Central Bank interest cuts should provide a stimulus by the end of the year.

Civil engineering output is forecast to increase 1.6% this year, but fiscal policies in many eurozone countries will tighten in order to reduce deficits, which will act as drag on infrastructure building.

Across the EU and the UK, material costs will remain higher than in the past, and labour shortages are structural. Both issues negatively impact margins of builders. Credit risk for construction businesses remains high in most European markets.

France: Construction activity will shrink by 1.6% in 2025, mainly due to a 2.5% decline in the residential segment. This will add pressure on the already thin margins of builders. The level of protracted payments and insolvencies is high.

Germany: After contractions in 2023 and 2024 we expect construction output to decrease again this year by 2.5%. High labour and materials costs have led to the postponement or cancellation of many projects. Credit risk remains high, in particular for small construction businesses. As of 2026 both the civil engineering and non-residential building subsectors should be boosted by a proposed fiscal package

Netherlands: We expect Dutch construction output to increase by 2.4% in 2025 and by 1.1% in 2026. Future demand is strong, in particular for residential construction. Due to higher inflation and input costs, margins of construction businesses have been squeezed, although on the whole most businesses still show profit.

United Kingdom: Construction output is forecast to increase by 1.1% in 2025 and 1.7% in 2026. Further squeezing of public spending is likely to come in the Autumn Budget, with infrastructure projects prime candidates to be cut or scaled down. Residential construction should perform well over the medium term due to ongoing shortages. In the coming 12 months we expect an improvement of the sector´s credit risk situation, but market conditions remain challenging.

Curious to find out more?

Download the full report in the related documents section below for a detailed analysis of the challenges, performance, and credit risks facing the construction industry’s major markets throughout the world.

To explore how these insights can strengthen your own credit risk strategy, get in touch with us to see how we can help you stay ahead.