



Q3 2020: Netherlands Construction Monitor

Construction workloads pick-up despite Covid fears

- Workloads rebound in Q3 led by infrastructure
- Expectations remain positive away from private non-residential
- Profit margins still expected to remain under some pressure

Respondents to the Q3 2020 RICS/CEEC/NVBK Netherlands Construction Monitor were a little more upbeat about the current picture with infrastructure workloads rebounding most smartly over the past quarter. This pattern is broadly reflected in the forward-looking indicators although the second wave of Covid in fuelling a degree of caution in the feedback from contributors. Significantly, the new business enquiries metric was actually slightly negative.

Infrastructure leads the way

Infrastructure saw the strongest uplift in workloads in Q2 and it is anticipated that this segment of the industry will, over the next twelve months, continue to record solid growth partly as a result of recently announced government fiscal measures. Alongside this, feedback to the survey is consistent with a material uplift in activity in the private residential area reflecting underlying developments in the housing sector. By way of contrast, non-residential workloads are viewed as remaining under pressure partly as a result of the structural changes underway in both the office and retail sectors which is likely to see a reduction in the required footprint particularly in the case of the latter.

Profits recovery delayed

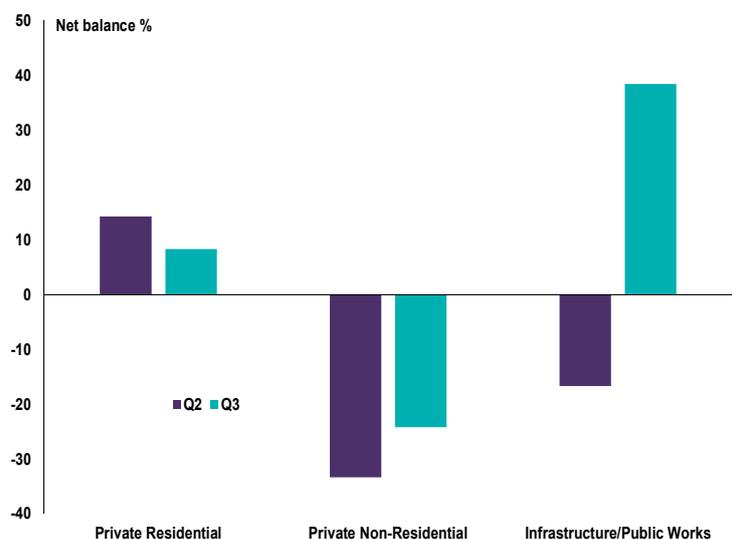
Expectations for work may be improving but the profit trend appear to be lagging according to contributors to the Monitor. Indeed the margin indicator is pointing to a further profit compression over the next year (net balance -30 against -50 in Q2). Meanwhile the point estimates for tender prices and construction costs suggests the latter will outstrip the former by around 2 percent (tender prices are envisaged as being little changed).

Labour shortage remains a challenge

The pick-up in activity has highlighted ongoing issues around skills and labour supply for the construction sector. In terms of the former, the most cited challenges are around 'quantity surveyors' and skilled trades. Notwithstanding this, the headcount is only anticipated to increase very modestly looking into 2021. Planning/regulation is another factor highlighted as being a meaningful obstacle to activity at the present time.

By way of contrast, financial constraints do appear to have eased compared with the second quarter as to issues around the availability of materials.

Current Workloads



Key Charts

Business enquiries were slightly negative in Q3 but more encouragingly the indicator capturing payment delays, while still rising, did so at a significantly slower pace compared with the second quarter.

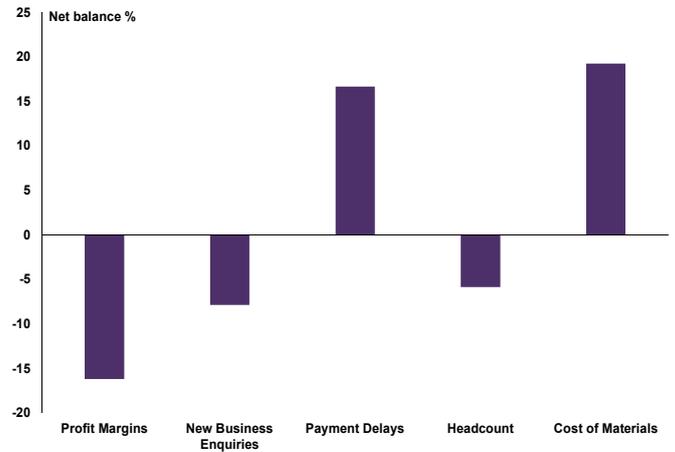
The main area of growth in the infrastructure has been in ICT followed by energy and waste and water.

Workloads in infrastructure are expected to grow solidly over the next year but respondents also point to a sharp rebound in development in private residential.

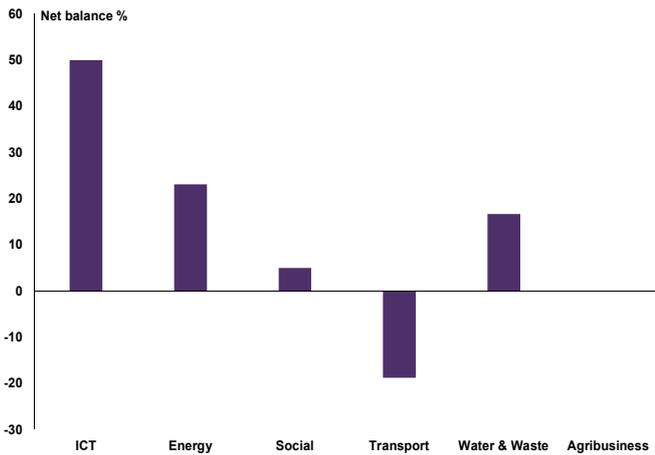
Tender prices are projected to be broadly flat in the face of further increases in construction costs.

Labour shortages are viewed as the major obstacle to activity followed by skill shortages and planning and regulatory obstacles.

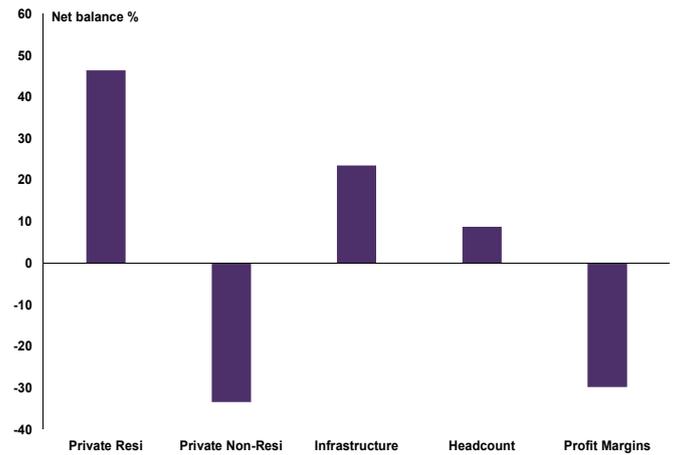
Current Conditions



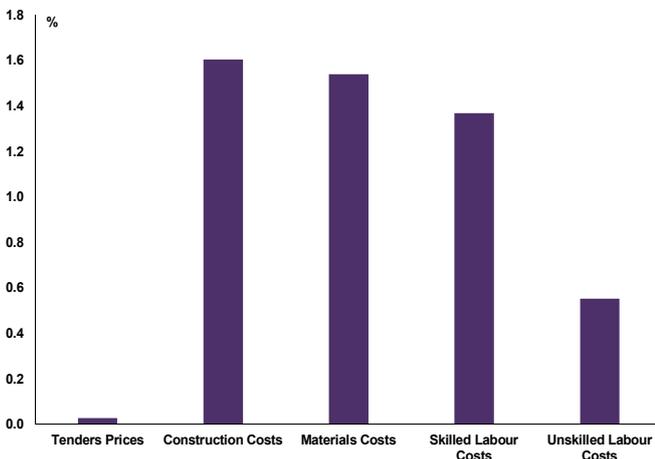
Infrastructure Workloads



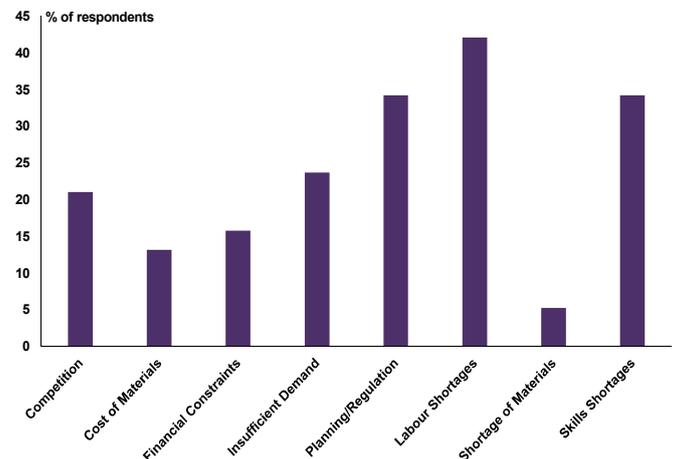
12 month Expectations - Work, Headcount, Profits



Tender Price and Cost Expectations



Factors Holding Back Activity



Information

Construction Monitor

The RICS/CEEC/NVBK Netherlands Construction Monitor is a quarterly guide to the trends in the construction and infrastructure markets. It forms part of a Global Construction Monitor.

Methodology

Survey questionnaires were sent out on 12 September 2020 with responses received until 18 October 2020. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 1358 company responses were received globally.

Net balance = Proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100. A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline.

The Construction Activity Index is constructed by taking an unweighted average of current and 12-month expectations of four series: residential workloads, non-residential workloads, infrastructure workloads and profit margins. Global and regional series are weighted using the World Bank's GDP PPP (2017 constant prices) data series. Current responses were weighted using the prior years GDP (e.g. the 2020 responses were weighted using 2019 GDP data). Where responses are not sufficient to form a national-level sample, they are binned together to fill in any gaps in regional coverage.

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Conseil Européen des Economistes de la Construction
The European Council of Construction Economists

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Bi-annually CEEC holds a general assembly where the many issues concerning the construction economist are debated and a number of projects promoted. On Friday the host country organises a conference, which includes a visit of an interesting project.

The main professional associations for construction economists in Europe are members of CEEC. Worldwide CEEC has strong relationships with similar organisations, like PAQS (Pacific Association of Quantity Surveyors), ICEC (International Cost Engineering Council) and CIQS (Canadian Institute of Quantity Surveyors).



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