TOKIO MARINE HCC

UK Construction Sector Report

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The Macroeconomic Environment

Growth Outpaces Construction

The wider economy has kept growing while construction output is lower than a year ago. GDP rose 0.5% in Q2 on the national accounts of 30 September, after 0.6% in Q1. GDP also grew 0.4% in the three months to July. The IMF's October World Economic Outlook[1] raised its UK growth forecast for 2026 to 1.3% and cut 2027 to 1.2%. It warned that higher energy prices and long-term interest rates will weigh on consumption and investment.



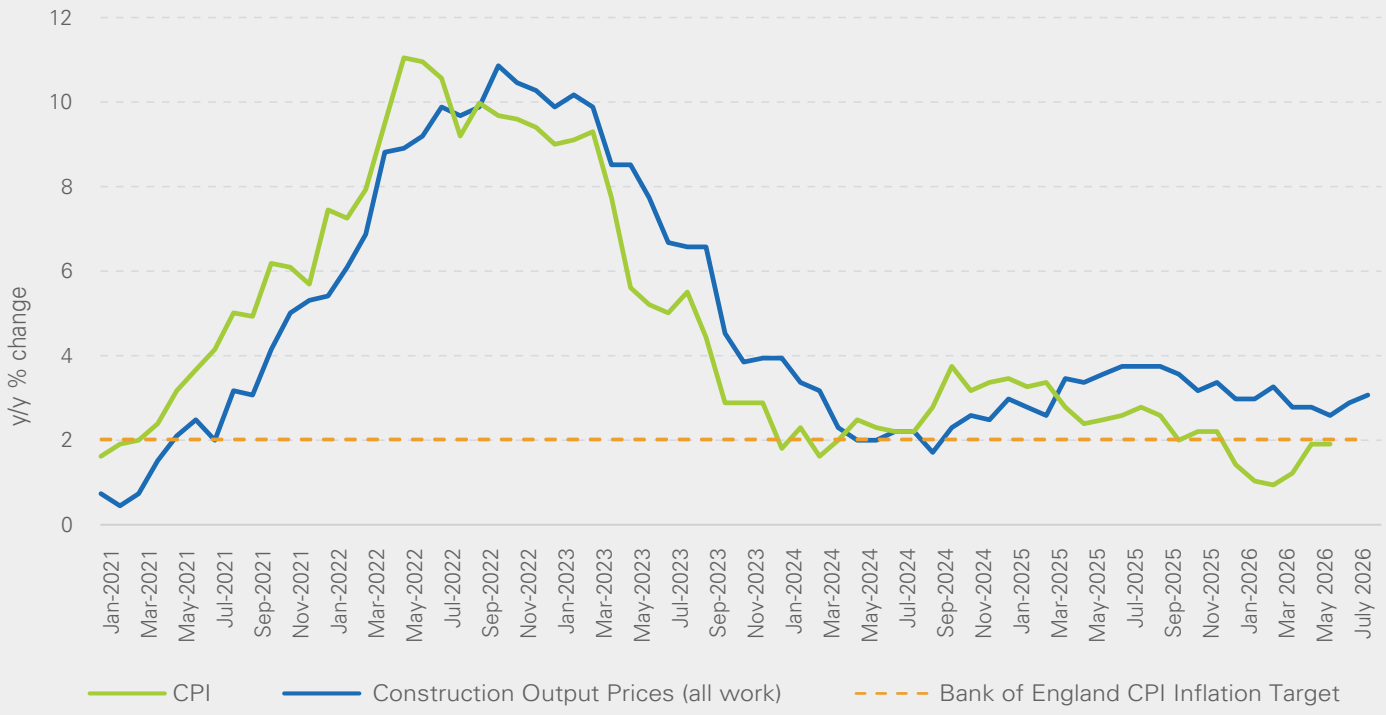
Rate Rises Replace Rate Cuts

The Monetary Policy Committee held Bank Rate at 3.75% on 17 September[2], with three of its nine members voting for 4.00%. The minutes record several members' view that policy may have to tighten if the conflict persists. The Governor said on 8 October that rates may need to rise even as activity weakens, and markets put the probability of a rise on 5 November above 80%. Where the April edition's base case was no cut through 2026, the question for the sector is now the size and timing of increases.

Inflation has turned up again. Consumer price index (CPI) inflation rose to 3.1% in August from 2.9% in July, with motor fuels the largest upward contribution. The Bank expects it to reach around 3.75% in Q4 and slightly above 4% in Q1 2027. Those projections assume Brent at $106 and gas at 207p per therm, close to mid-October prices. Construction output prices for all work rose 1.9% in the year to June, well below CPI.



UK CPI Inflation and Construction Output Prices against the Bank of England CPI Inflation Target (y/y change in %)



Source: ONS, Bank of England

A New Government, Less Fiscal Room

Andy Burnham became Prime Minister on 20 July, with John Healey as Chancellor and Angela Rayner returning as Housing Secretary. Healey's first Budget is on 28 October. Independent estimates put fiscal headroom at between £8bn and £20bn, against £23.6bn implied by the Office for Budget Responsibility's March forecast. The Institute for Fiscal Studies puts spending pressures at £35bn by 2030/31.

[1] https://www.imf.org/-/media/files/publications/weo/2026/october/english/text.pdf
[2] https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2026/september-2026

Iran: From Energy Prices to Borrowing Costs

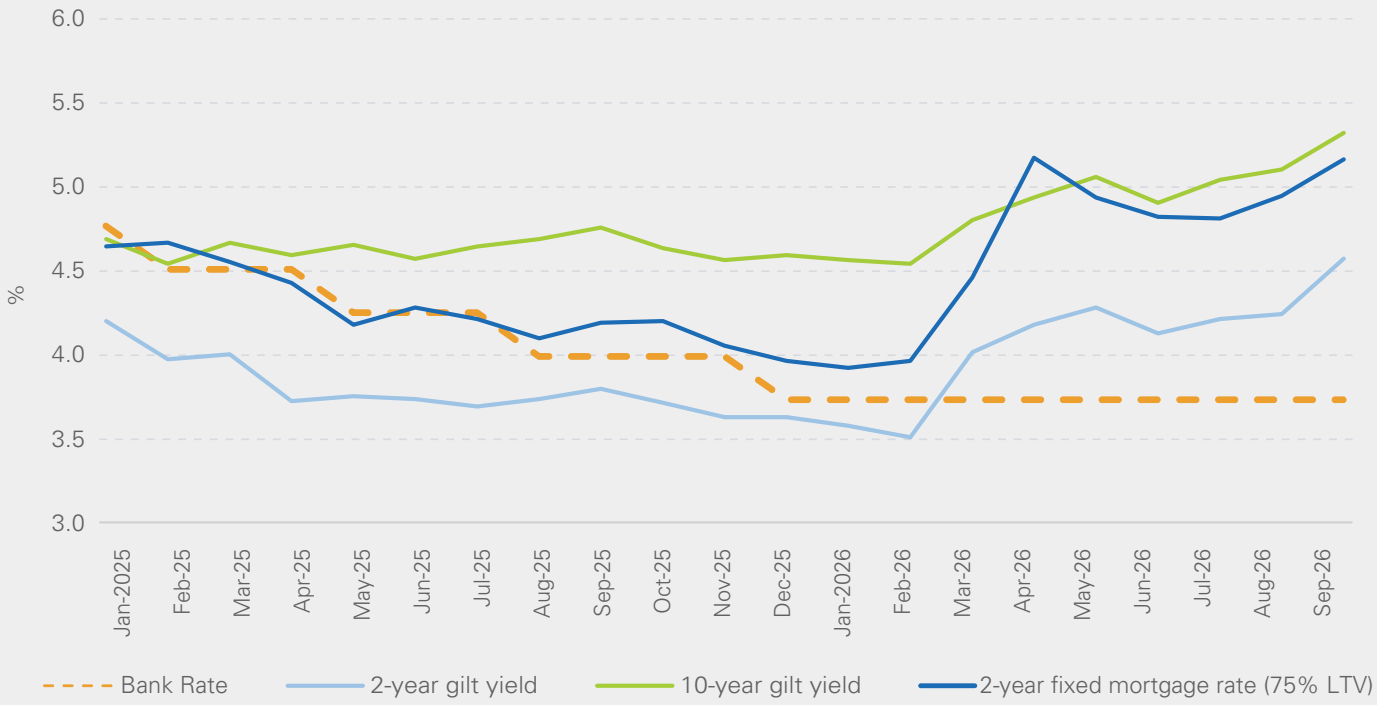
The April edition traced the conflict's effect on construction through input costs, financial conditions and sponsor confidence. Seven months on, the financial channel dominates.

Energy prices have not retreated with the headlines. Brent crude[3] was $105 a barrel on 13 October, against roughly $70 before the strikes of 28 February. UK wholesale gas[4] reached 211p per therm on 13 October, its highest since December 2022. A ceasefire framework collapsed in July, fighting resumed in September and tanker traffic through the Strait of Hormuz fell sharply again in early October. Talks on reopening the Strait remain deadlocked, and Houthi strikes on Saudi Arabia since 10 October have widened the conflict.

Those prices feed inflation expectations, and markets now price Bank Rate at close to 5% by late 2027. The ten-year gilt yield reached 5.53% on 8 October[5], its highest since 2007, and the thirty-year 6.05%, the highest since 1998. The two-year fixed mortgage rate is priced off the expected path of Bank Rate, which the two-year gilt yield tracks. That yield has risen by a full percentage point since February while Bank Rate has stayed at 3.75%.



Bank Rate, Gilt Yields and the Two-Year Fixed Mortgage Rate (%)



Source: Bank of England

The sector meets that cost in four places, starting with **mortgage affordability.** The Bank's quoted rate on a two-year fix at 75% loan to value rose from 3.97% in February to 5.13% in September. Approvals for house purchase fell to 54,900 in August[6], the lowest since December 2023. The second is **developer balance sheets**, where Vistry is cutting its owned land bank from 51,000 to 36,000 plots for example. The third is **private infrastructure finance**, since £466bn of the £718bn pipeline is private or mixed funding. **Fiscal headroom** is the fourth, because every rise in gilt yields adds to debt interest and narrows the room for capital spending.

The effective rate on new loans to non-financial businesses, at 5.57% in August, has barely moved since February. The Bank's Agents reported in September that banks have less appetite to lend to construction firms with a weak track record. The squeeze is reaching construction through housing demand, developer balance sheets and the public finances before it reaches corporate borrowing costs.

[3] https://www.ice.com/products/219/Brent-Crude-Futures/data?marketId=6018421
[4] https://www.ice.com/products/910/UK-Natural-Gas-Futures/data?marketId=6342525
[5] https://finance.yahoo.com/economy/policy/articles/uk-10-borrowing-costs-rise-112933100.html

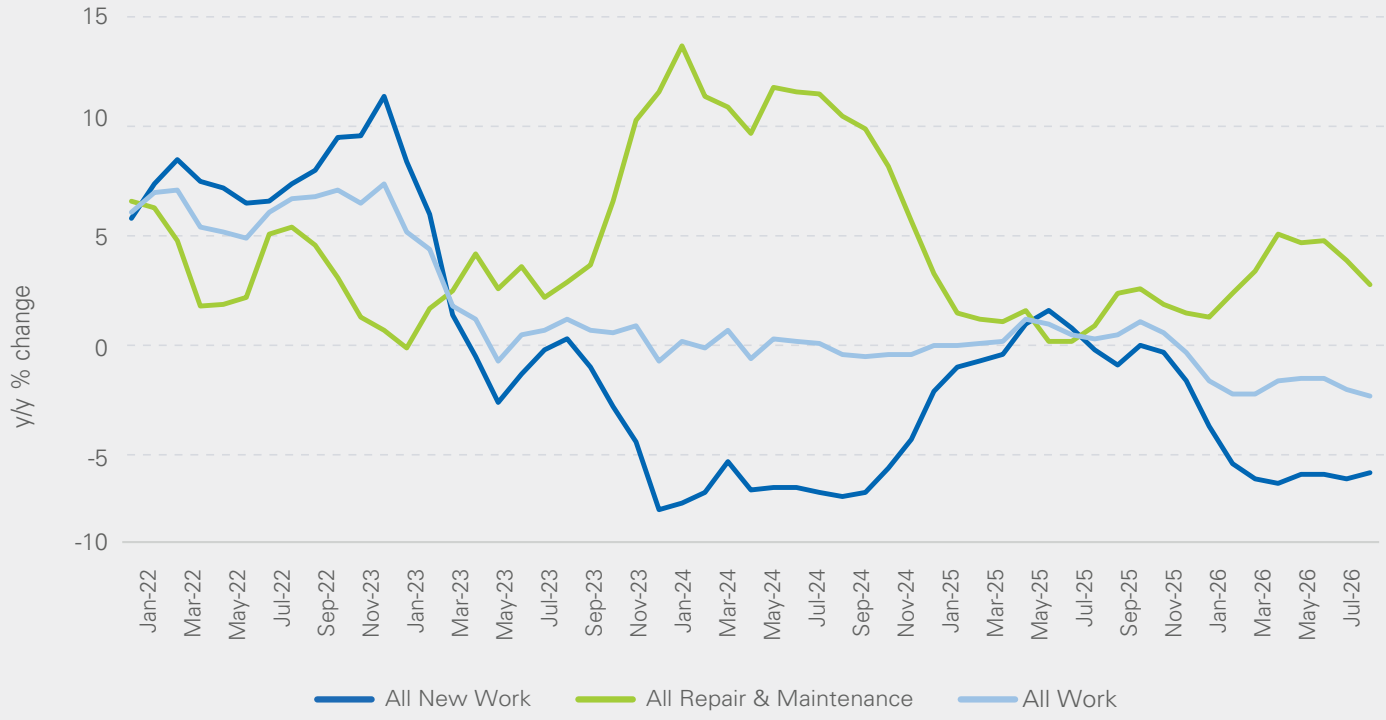
Output and Orders

Output Falls Back

The Office for National Statistics (ONS) estimates that construction output fell 0.5% in the three months to July, the first fall after four consecutive rises. Output was 2.3% lower than a year earlier, with new work down 5.8% and repair and maintenance up 2.8%. Q2 output, revised up to growth of 0.8%, was still 1.0% below Q2 2025.

Private commercial was the only new-work sector with output above its level of a year earlier in the three months to July, up 0.1%. Public housing was down 18.7%, private industrial 11.2%, private housing 6.3%, public other work 5.5% and infrastructure 4.5%. In July alone, infrastructure was the only new-work sector to grow on a year earlier, up 0.4%, its first annual rise since August 2025. Private industrial output has fallen year on year for eight consecutive months, reversing the strength the April edition of this report recorded in industrial and logistics work. Survey respondents now name only energy, grid, water, transport and data centre work as growing.

UK Construction Output by Type (% change, seasonally adjusted)



Source: ONS; **Note**: three months on the same period a year earlier.

[6] https://www.bankofengland.co.uk/statistics/money-and-credit/2026/august-2026

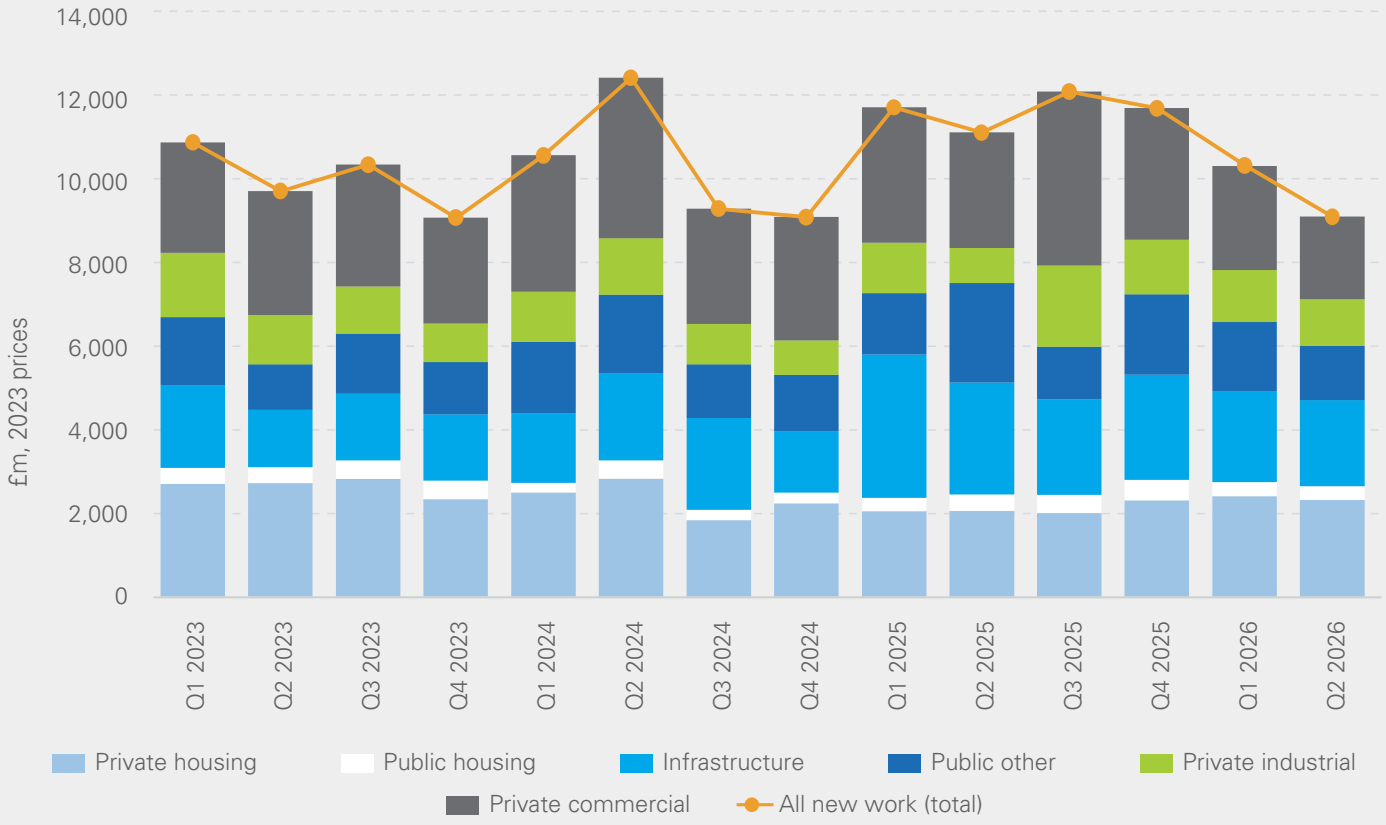
Orders and Starts

The order books explain why the pipeline has not produced a recovery. Orders fell 11.9% in Q2 and were 18.1% below a year earlier, leaving them 25%, or £3bn, below Q3 2025. Private commercial orders fell 21% on the quarter to their lowest level since Q2 2020, and public other work fell 22%. Infrastructure orders were 22.5% lower than a year earlier despite the published pipeline. The April edition read the late-2025 surge as a clearing of deferred decisions, and the two quarters since have borne that out.

Project starts are falling more slowly. Glenigan's index of projects under £100m was 18% below a year earlier in the three months to September but only 2% below the previous three months. Civil engineering starts more than doubled. Residential starts were down 33% on the year and non-residential 16%.



UK Construction New Orders by Sector (£m, 2023 prices, seasonally adjusted)



Source: ONS; **Note**: volume measure; the line is total new work

Surveys and Forecasts

The S&P Global/CIPS construction PMI rose to 46.1 in September from 44.3 in August, the smallest fall in activity since January and the twenty-first consecutive month below 50. The PMI records the balance of firms reporting higher or lower activity[7], so it can sit well below 50 while total output grows, as it did in Q2. Housing was the weakest sub-sector at 40.7 and commercial the firmest at 48.5. New orders fell at the fastest rate in three months and business optimism dropped to its lowest since May, which undercuts the improvement in activity.

Forecasters have kept cutting their 2026 numbers. The Construction Products Association expects output to fall 3.3% in 2026 and grow 1.2% in 2027, against the 1.7% growth it forecast for 2026 in January. The Building Cost Information Service (BCIS) forecast on 8 October that new work will fall 3.7% in 2026 and grow 2.2% in 2027. Glenigan expects underlying starts to fall 1% in 2026 and rise 11% in 2027. The Construction Industry Training Board (CITB) assumes output falls 0.2% in 2026 and grows 1.8% in 2027.

[7] The Index is the share of firms reporting higher activity plus half the share reporting no change; 50 means no change on the month.

Housing

Permissions and the Levy

Planning permissions for new homes in England fell to 45,315 in Q2, 21% below Q1 and the lowest quarterly figure since 2012, according to the Home Builders Federation (HBF) and Glenigan. The 214,515 approved over the twelve months to June were 36% below the 2017 peak. That is 58% of the 370,000 a year HBF estimates is needed to deliver 300,000 homes. Only 1,234 projects of three or more homes were approved in the quarter, a record low.

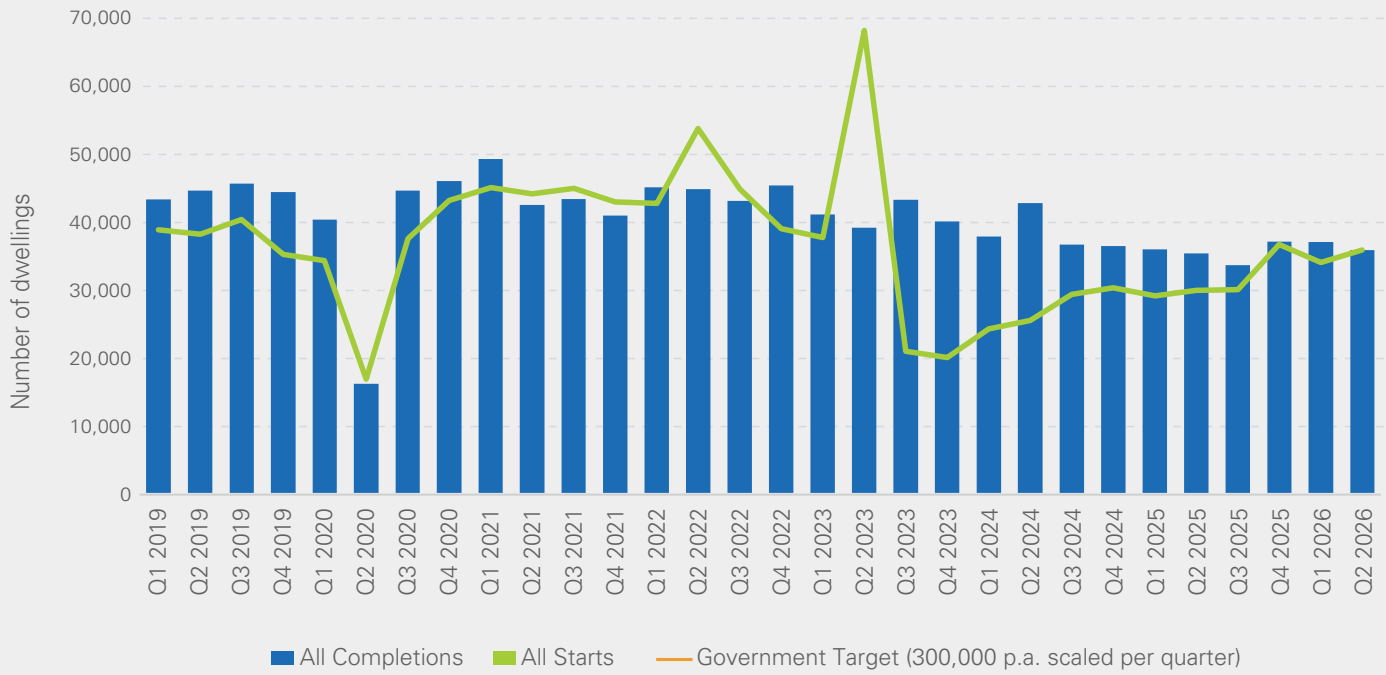
The Building Safety Levy[8] took effect on 1 October on developments of ten or more dwellings in England. Rates are set locally, from £12.70 per square metre in County Durham to £100.35 in Kensington and Chelsea. The Ministry of Housing, Communities and Local Government (MHCLG) expects it to raise £3.4bn over about ten years to fund cladding remediation. HBF puts the average cost at £2,320 per home, and 91% of the small builders it surveyed said the levy makes further sites unviable.

Demand and Starts

Demand has weakened alongside supply. Mortgage approvals for house purchase have fallen 12% since February, and lenders in the Bank's Q3 Credit Conditions Survey reported a sharp fall in demand for house-purchase loans. In the Royal Institution of Chartered Surveyors (RICS) residential survey for September, more surveyors reported falls than rises in buyer enquiries, agreed sales and prices. Registrations with the National House Building Council fell 4% y/y in Q2.

MHCLG's starts data point the other way, at 35,910 in Q2, up 20% on the year. MHCLG attributes part of the rise to increased reporting through the Building Safety Regulator. The regulator's data also show a rush of applications ahead of the levy. Applications for Gateway 2, its approval stage before work starts on a high-rise building, rose to 64 in September from 17 in July. Some of the reported rise is therefore activity brought forward from 2027.

House Building: Permanent Dwellings Started and Completed in England, Q1 2019 to Q2 2026 (Seasonally Adjusted)



Source: MHCLG; **Note**: the dashed line is the 300,000-a-year target scaled to 75,000 a quarter; the target is for net additional dwellings, a wider measure than completions.

[8] https://www.legislation.gov.uk/uksi/2026/1034/made; https://www.gov.uk/guidance/building-safety-levy-guidance/section-2-levy-rates-and-calculations

Housebuilders and Your First Home

The listed housebuilders have confirmed the pressure. Vistry reported a pre-tax loss of £661m for the first half after a £475m goodwill impairment and a £73m building-safety provision, and is consolidating from 25 regions to 12. Crest Nicholson cut its completions guidance for the second time this year and now expects a loss of around £10m before interest and tax. Its lenders have extended a waiver of its interest cover covenant to 30 November while it negotiates new covenants. Bellway, reporting on 13 October, raised incentives to about 5% of selling prices and expects fewer completions and a lower margin in the year to July 2027. EY-Parthenon counted eight profit warnings from listed housebuilders in H1 2026, equal to H1 2008, and expects liquidity and covenant headroom to move up the sector's agenda. Smaller builders are selling land and reducing plot sizes to protect cash.

The government's response is a successor to Help to Buy, the equity loan scheme that closed in 2023. MHCLG's "Your First Home" scheme, announced on 26 September, offers first-time buyers with a 2.5% deposit an equity loan of up to 20% on new-build homes in England. Income and local price caps will apply, and participating developers will contribute. MHCLG's own release says the scheme is to be confirmed at the Budget, and Bellway said on 13 October that it is waiting for detail on design and timing. Peel Hunt expects the scheme to support around a fifth of housebuilders' sales and lift volumes 10% by 2028, while Panmure Liberum puts any meaningful effect two years out. The scheme arrives alongside a levy that adds cost to the same homes.



Infrastructure

Energy, Water and Transport

Labour's conference at the end of September added a publicly owned Great British Grid to co-invest in transmission, although no funding has been set. The March update[9] from the National Infrastructure and Service Transformation Authority (NISTA) lists 734 projects worth £718bn over ten years, with energy 51% of the total and transport 16%. Road Investment Strategy 3 commits £27bn to March 2031, £8.4bn of it to maintenance. Water companies have a £104bn programme for 2025 to 2030, and Ofgem's RIIO-3 settlement allows £28.7bn of network investment. The RICS construction survey for Q2 put the energy workload balance at +39% and water at +23%, the strongest readings in the sector.

The gap between that pipeline and the order books is the sector's central problem. BCIS observed in September that infrastructure activity was running below what the government's spending plans would imply. The Lower Thames Crossing shows why conversion is slow. Its £10.6bn cost rests on £3.1bn of public funding and a £7.5bn private tranche. That tranche depends on the sale of a regulated company, for which Lazard was appointed in January and the enabling bill introduced on 10 September. Main tunnelling begins in 2028 and completion is planned for 2034.

Defence and Social Infrastructure

Defence has become a competitor for capital. The Defence Investment Plan of 30 June lifts spending to 2.6% of GDP in 2026/27 and 2.7% from 2027/28. It includes £26bn for naval bases and £9bn for defence housing over ten years. Its funding includes 1% cuts to departmental capital budgets, up to £700m from the roads budget and £2bn from the energy department.

Social infrastructure remains behind schedule. The Public Accounts Committee warned in April that the New Hospital Programme's contingency for 2025/26 to 2029/30 is just 3% of funding, against 21% across the programme. Glenigan recorded education starts down 27% y/y in the three months to September, although it forecasts a 20% rise in 2027.

[9] https://pipeline.nista.grid.civilservice.gov.uk/main



Costs and Labour

Materials and Margins

Building materials prices were 6.4% higher in August than a year earlier, the fastest rise since March 2023, according to the Department for Business and Trade (DBT)[10]. Fabricated structural steel rose 21.2%, reflecting the EU carbon border levy from January, the 50% import tariff on steel from 1 July and shipping disruption. Rigid pipes and fittings rose 15.5%. Cement prices fell 0.8% and brick deliveries were 10.1% lower than a year earlier, both signs of weak demand.

The PMI cost measures have eased from their spring peak. Input price inflation in April was the fastest since June 2022, but by September it had fallen to a seven-month low. S&P Global judged the easing unlikely to persist given fuel and transport costs. At 6.4%, materials inflation remains far below its 2022 peak of around 25%.

Contractors' margins depend on the gap between costs and prices. BCIS's General Building Cost Index rose 3.8% in the year to Q2 while its All-in Tender Price Index rose 3.2%. The April edition recorded materials and new-work output price inflation converging in late 2025, at 2.8% and 2.1%. The gap has since reopened from both sides, to 4.8 points in July, its widest since August 2022, as materials inflation rose to 5.9% and output price inflation fell to 1.1%. Contractors on fixed-price contracts, still standard on large projects, absorb the difference.

Competition for work is keeping that gap open. BCIS reported that 77% of its panel saw contractors eager to tender in Q3, up from 67%, and flagged insolvency risk among mechanical and electrical subcontractors and modular builders.

UK Construction Sector: Materials Input vs. Output Price Inflation (y/y change in %)



Source: DBT, ONS; **Note:** materials are the DBT construction material price index for all work; output prices are the ONS implied output price indicator for new work. Red shading marks input inflation above output inflation, a margin squeeze; blue marks the reverse.

[10] https://www.gov.uk/government/statistics/building-materials-and-components-statistics-september-2026

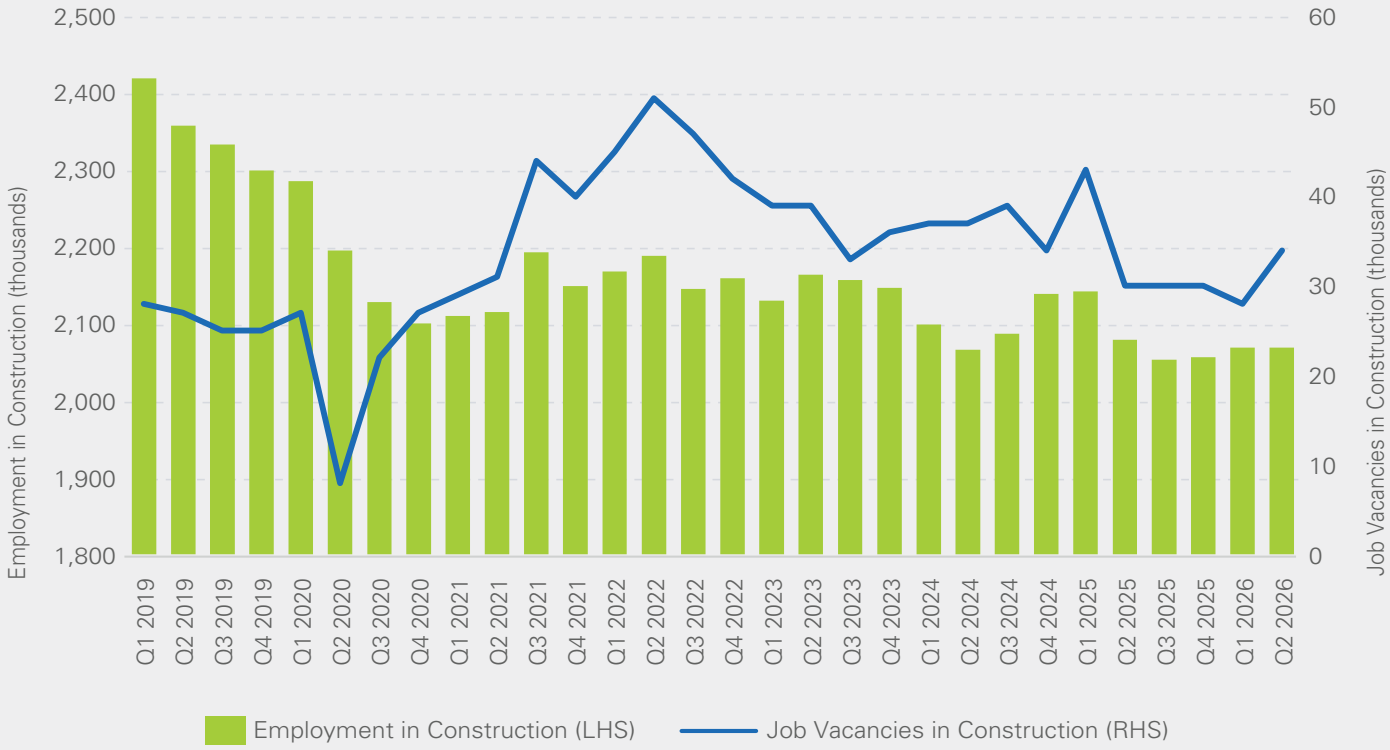
Labour – Cheaper and Scarcer

Construction regular pay rose 0.3% in the three months to July on a year earlier, the slowest growth of any sector, against 3.5% across the economy. Workforce jobs in construction fell by 23,000 in Q2 to 2.29m, with self-employment down 32,000, which implies direct employment rose.

The PMI recorded a further fall in employment in September, the sharpest in five months. The Bank's Agents reported in September that firms planning reductions expect to achieve them through attrition.

The long-term shortage has not changed. CITB estimates the sector needs 41,200 additional workers a year to 2030. NISTA estimates the infrastructure pipeline alone needs an average workforce of 629,000 to 706,000 a year over five years. Turner & Townsend identifies the loss of experienced staff as the constraint that will bite once the pipeline recovers.

Number of Employees and Vacant Positions (in thousands) in UK Construction



Source: ONS**; Note:** employment is the Labour Force Survey measure, which runs below the workforce jobs figure in the text; both series are quarterly.



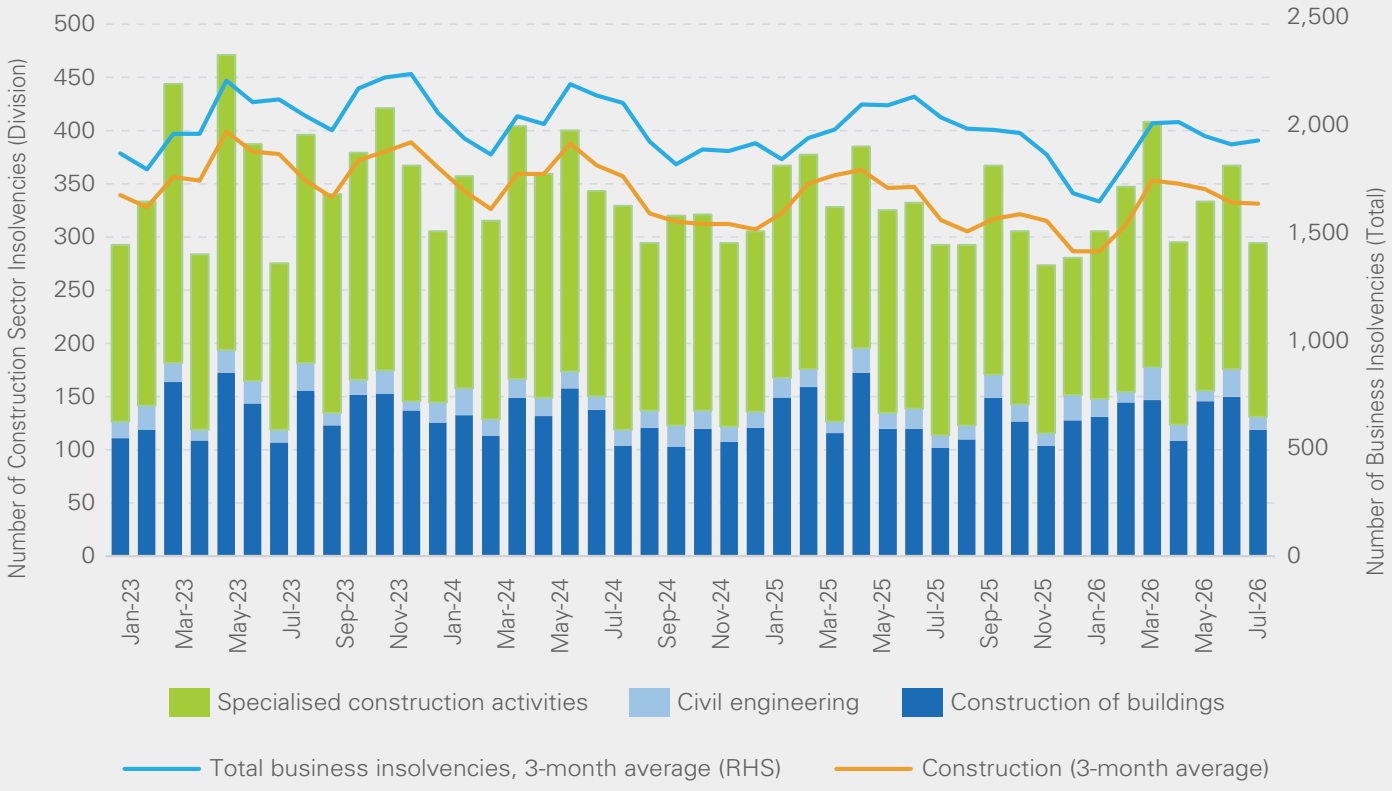
Credit Risk and Insolvency



Insolvencies Stop Falling

Construction recorded 3,866 insolvencies in England and Wales in the twelve months to August[11], 17% of all cases with an industry recorded and the largest share of any sector. That is 2% fewer than a year earlier. The rolling total has barely moved since the twelve months to February, at 3,861, so the gentle decline of 2025 has stopped.

Insolvencies in the Construction Sector (England and Wales)



Source: The Insolvency Service; **Note**: the construction and total business insolvencies are three-month averages; the divisions are monthly counts.

The composition has moved in a way the headline hides. Specialised construction activities, the trades, accounted for 2,105 of the cases (54%), construction of buildings for 1,553 (40%) and civil engineering for 208 (5%). The year's 2% fall is concentrated in the finishing and installation trades, while development companies, building contractors and civil engineers all recorded more failures than a year earlier. Creditors' voluntary liquidations (CVLs), which directors initiate, fell to 2,882 from 3,050 a year earlier. Compulsory liquidations rose to 766 from 709 and administrations to 194 from 158, so creditors are forcing more of the failures. Across the economy, administrations in August were 60% higher than a year earlier.

[11] https://www.gov.uk/government/statistics/company-insolvencies-august-2026 England and Wales; Table 1b basis, excluding bulk insolvencies and administrations converting to CVLs.

UK Construction Sector: Company Insolvencies by Sub-sector (England and Wales)

Sub-sector (SIC)	"Latest 12 months (Sep 2025 – Aug 2026)"	"Prior 12 months (Sep 2024 – Aug 2025)"	"Change (absolute)"	"Latest 3 months (Jun – Aug 2026)"	"Share of all insolvencies (latest 12 months)"
Construction (Section Total)	**3,866**	**3,941**	**-75**	**994**	**16.8%**
Construction of buildings (SIC 41)	**1,553**	**1,500**	**+53**	**412**	**6.8%**
Development of building projects (SIC 411)	717	688	+29	172	3.1%
Construction of residential and non-residential buildings (SIC 412)	836	812	+24	240	3.6%
Civil engineering (SIC 42)	**208**	**198**	**+10**	**48**	**0.9%**
Construction of roads and railways (SIC 421)	53	49	+4	11	0.2%
Construction of utility projects (SIC 422)	41	35	+6	11	0.2%
Construction of other civil engineering projects (SIC 429)	114	114	0	26	0.5%
Specialised construction activities (SIC 43)	**2,105**	**2,243**	**-138**	**534**	**9.2%**
Demolition and site preparation (SIC 431)	58	52	+6	14	0.3%
Electrical, plumbing and other installation (SIC 432)	847	871	-24	228	3.7%
Building completion and finishing (SIC 433)	654	753	-99	162	2.8%
Other specialised construction activities (SIC 439)	546	567	-21	130	2.4%
UK TOTAL (all insolvencies, England & Wales)	**22,960**	**23,883**	**-923**	**5,861**	**100.0%**

Sources: The Insolvency Service; **Notes**: England and Wales, Table 1b basis (excludes bulk insolvencies and administration-to-CVL conversions). SIC 2007 division and group counts; shares are of all insolvencies with an industry recorded.

On the Insolvency Service's industry series, 2008 recorded 2,771 construction insolvencies and 2009 around 2,900, against 4,389 in 2023 and 3,949 in 2025. The current level is therefore above the financial-crisis peak[12]. The whole-economy liquidation rate, at 50.1 per 10,000 companies, is less than half its 2008/09 recession peak because the company register has roughly doubled.

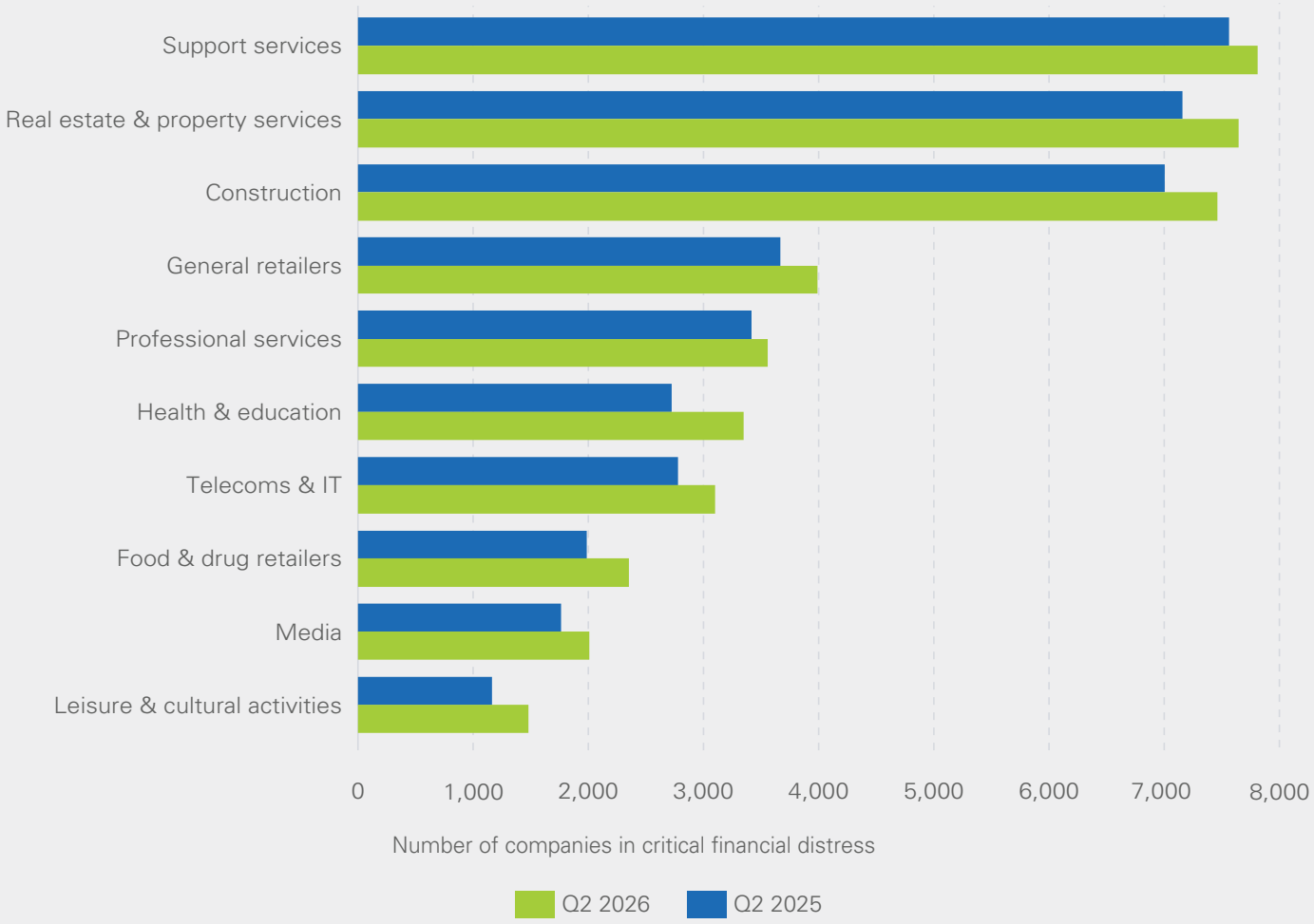
Early Warning Signs

The formal statistics lag what creditors are already doing. BTG Consulting's Red Flag Alert counted 7,458 construction companies in critical financial distress in Q2, 6.6% more than a year earlier but 21% fewer than in Q1. Construction now ranks third behind support services and real estate, and its rise was smaller than in most sectors. BTG described the escalation in winding-up petitions as ominous and expects insolvencies to rise in 2027. Cases in the Companies Court, most of them winding-up petitions, were 16% higher in Q2 than a year earlier. Registry Trust[13] recorded 10.1% fewer commercial county court judgments than a year earlier, at a rising average value. Together with the petitions data, this suggests creditors are pursuing fewer small claims and more terminal actions.

Beneath the court figures, payment times are lengthening. Bibby Financial Services' October survey found that 60% of SMEs say customers are taking longer to pay than a year ago. Build UK's payment table shows housebuilders taking 30 to 52 days to pay their supply chains, against 17 to 46 days for main contractors. Morgan Sindall disclosed at the half year that it had, in limited cases, given key partners more favourable terms to support their cash flow.

[12] Pre-2010 figures were coded to SIC 2003 and are not directly comparable with the SIC 2007 series; the direction of the comparison is unaffected. Sources: Insolvency Service FOI 24/25-056; Lowe and Moroke, ARCOM 2010.
[13] https://www.registry-trust.org.uk/court-judgment-statistics/q2-2026-summary

Critical Financial Distress by Sector, Q2 2025 and Q2 2026 (number of companies)



Sources: BTG Consulting (formerly Begbies Traynor Group), Red Flag Alert Q2 2025 and Q2 2026; **Notes**: Critical financial distress is identified by Red Flag Alert's proprietary credit risk scoring system.

Liabilities and Capacity

Building safety liabilities have moved from provisions to cash. Ardmore Construction Group, a London main contractor with around £350m of turnover, entered administration on 11 June. A Building Liability Order had extended remediation liability from its contracting subsidiary to the group. Mid-sized contractors are failing without that trigger too. Torsion Construction of Leeds, with £165m of turnover in the year to June 2025, followed on 29 July owing £15.6m to unsecured creditors. Its sister company filed an administration notice on 21 September.

The sector's firms have made two different choices about capacity. Civils contractors and the listed main contractors have held their workforces and protected margins through selective bidding. Construction margins were 3.4% at Balfour Beatty, 3.3% at Morgan Sindall and 3.9% at Kier in their latest results. Fitch raised Kier to investment grade on 13 October, citing its balance sheet and cash generation. Housebuilders have cut overheads and headcount, and ONS jobs data show the self-employed absorbing much of the volume loss. Which choice proves right depends on when orders return. Until then, the exposure to watch is the cash runway of firms that have kept their overheads while turnover has fallen.



Policy and Regulation:

A First Budget

The Burnham government's first Budget on 28 October will decide three things that matter to the sector. The first-home scheme needs funding, caps and a start date. The Building Safety Levy, which HBF wants cancelled, raises revenue the Chancellor is unlikely to give up with headroom this thin. A further £4.7bn of defence funding is still to be confirmed, with departmental capital budgets already cut by 1% to fund part of the plan. Healey has promised fiscal discipline and a "buffer against uncertainty".

Planning

Planning reform has advanced further than delivery. The Planning and Infrastructure Act received Royal Assent in December 2025, and a revised National Planning Policy Framework took effect on 17 August. The framework adds a presumption in favour of development around railway stations, and decisions will be delegated to planning officers from 31 October. Against that, the Housing Delivery Test found a third of authorities delivering less than 75% of their requirement. Net additional dwellings for 2025/26, due in November,
will give the first full-year reading of progress towards 1.5m homes.

Building Safety

Building safety regulation is expanding in scope. The Building Safety Regulator moved under MHCLG in June, and the government has committed to legislate for a single construction regulator but has set no date. A construction products white paper is out for response. The single regulator and the products regime will add compliance cost to higher-risk residential work, where demand is weakest, while the levy adds tax.



Outlook

The April edition expected the first half of 2026 to be the pressure point. The second half is proving at least as hard because the shock has spread from materials prices to orders and borrowing costs. The pipeline remains documented but unconverted while the rate path points up, which tests the firms that have bet on an early return of work.

Base Case – Stabilisation at a Low Level

Shipping through the Strait of Hormuz remains heavily disrupted and Brent stays around $100 to $110. The Bank raises Bank Rate once or twice over the winter and holds there, short of the near-5% peak markets priced in mid-October. Construction output drifts sideways as infrastructure and repair and maintenance offset further falls in private housing and industrial work. Orders stabilise at a low level through H1 2027. The Budget funds the first-home scheme at a scale that supports volumes from late 2027 and leaves the levy in place. Insolvencies rise modestly from 3,866, concentrated in specialist trades exposed to housebuilders and in main contractors carrying remediation liabilities. The 2027 recovery forecasters expectations depends on rates peaking by mid-year.

Scenario A – Escalation and a Capital Squeeze

Attacks on Gulf energy infrastructure escalate and the Strait stays closed into 2027, taking gas above 250p per therm and keeping CPI above 4% for longer than the Bank projects. Bank Rate rises above 5% and the ten-year gilt yield above 6%. The Budget cuts capital spending beyond the defence transfers already made, and privately financed infrastructure stalls because regulated returns no longer clear the cost of debt. Mortgage approvals fall below 50,000 a month and housebuilders cut volumes again. The firms that held capacity exhaust their cash before orders return. Construction insolvencies pass 4,000 with a run of main-contractor failures. A second wave in the trades falls hardest on mechanical, electrical and groundworks subcontractors supplying residential schemes.

Scenario B – Settlement and a Funded Budget

A durable settlement takes Brent below $80 and gas below 120p per therm. The Bank stops after one rise and cuts during 2027. The Budget publishes the first-home scheme's caps and start date, funds it, and pauses or tapers the levy. Permissions and mortgage approvals recover during H1 2027, and starts rise in line with Glenigan's 11% forecast. Infrastructure orders begin to track the pipeline. The firms that kept their workforces take the work at better margins, and insolvencies resume the gentle decline of 2025. A recovery that releases deferred projects at the same time will still strain working capital across the supply chain, and firms that cut capacity may struggle to mobilise.

Summary



Housing faces the fewest planning permissions since 2012 and a new levy, while the first-time buyer scheme awaits Budget funding and final details.



Construction output fell 0.5% in the three months to July, and the construction purchasing managers' index (PMI) has signalled contraction for 21 months.



The main constraints on UK construction are now weak orders and more expensive borrowing. Q2 new orders fell 18.1% y/y.



In October, ten-year gilt yields reached their highest since 2007; markets price a November interest rate rise.



The two-speed market has narrowed, with energy, water, transport and data centres the remaining growth areas.



Pipelines remaining documented but unconverted, with high number of project delays due to uncertainty around UK Government Budget and global stability



Construction insolvencies were 3,866 in the year to August, 17% of all cases. Creditor-led procedures are rising while voluntary liquidations fall.

About Tokio Marine HCC

Tokio Marine HCC is a leading specialty insurance group conducting business in approximately 180 countries and underwriting more than 100 classes of specialty insurance. Headquartered in Houston, Texas, the company comprises highly entrepreneurial teams equipped to underwrite special situations, companies and individuals, acting independently to deliver effective solutions. Our products and capabilities set the standard for the industry, as many of our employees are industry-leading experts.

More information about our financial strength here:

tmhcc.com/en/about-us →

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