

# Construction Industry Trends to watch in 2025



The construction industry has seen many ups and downs in the past few years. Yet, growth was back on the agenda midway through 2024, fueled in some way by the Labour Party's anticipated shakeup of planning regulations to boost construction activity. Even so, certain risks remain that, left unmanaged, may affect the sector's stability moving forward. As such, construction businesses should monitor some emerging developments that could impact the industry in 2025 and adjust their risk management programmes accordingly.



## Economic Headwinds

The inflation rate has cooled after reaching record highs in recent years, but it's still influencing various expenses in the construction sector, thus driving up input costs. This has motivated some construction companies to increase the prices of their services to stabilise financial results. Supply chain struggles are also generating economic headwinds. The impacts of these struggles are twofold. First, the prices for building materials that have become hard to obtain are rising, making projects expensive to complete. Second, derailed material deliveries may extend project timelines and further elevate costs.



## Building Safety Legislation

Over the past few decades, regulatory standards within the construction industry have undergone significant transformation. Notably, the Grenfell Tower tragedy that struck in 2017 contributed to the establishment of the Building Safety Act 2022, which introduced new requirements for how high-rise building constructors must manage structural safety and fire risks throughout the building process. Furthermore, the Grenfell Tower Inquiry published the second stage of its findings on 4th September 2024. As the government responds to the inquiry's findings in 2025, further regulatory changes are possible. Construction companies should stay abreast of evolving legislation and be ready to adjust their operations and approaches to meet any new requirements.



## Labour Challenges

Labour shortages continue to impact the construction industry. According to a report by Kingfisher, the owners of B&Q and Screwfix, the sector could have a shortfall of 250,000 tradespeople by 2030. If labour shortages persist, construction businesses may resort to hiring a larger number of new or inexperienced employees. However, inexperienced workers could contribute to increased construction and injury rates and slowed project timelines.



## Environmental Exposures

Natural disasters, particularly flooding, have increased in recent decades, causing widespread damage. Such events can destroy construction materials, equipment and structures in the process of being built, making projects all the more costly and extending completion dates. The increasing prevalence of these events could also cause insurers to restrict insurance cover for organisations in high flood-risk areas, leaving some construction companies with greater exposure and minimal protection.



## Going Forward

Various trends are impacting the construction sector in 2025, emphasising the importance of staying adaptive. By tracking these developments and mitigating their exposures, construction businesses can maintain operational success. For more information on risk management and insurance for the construction industry, please contact Barry Davies, Client Director on [barry.davies@macbeths.co.uk](mailto:barry.davies@macbeths.co.uk) or 0118 229 2309