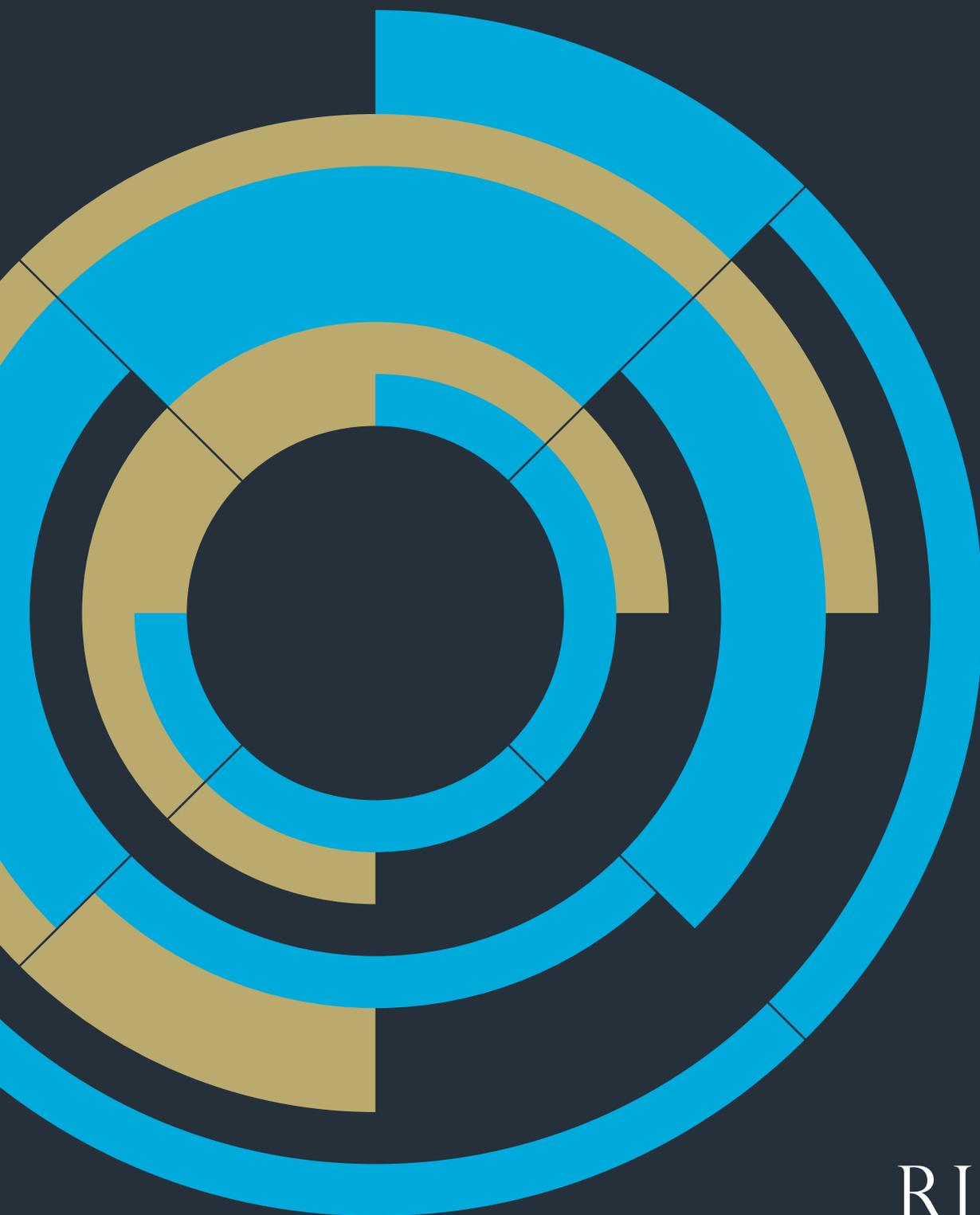


RIBA Quarterly Economics Report

The Architectural Market
Spring | 2025



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Introduction

This economic report brings together information from a range of primary sources. It aims to help architecture practices place their work within the broader economic context.

The outlook in the first three months of 2025 showed promising improvement, including steady (but unspectacular) UK growth, falling interest rates, controlled inflation, improving performance in the construction sector, and growing confidence among architects.

However, the introduction of tariffs on a wide range of goods for those exporting to the US overshadows this quarter's report.

Although much remains uncertain, the UK and global economies are likely to be adversely affected. UK architecture is [not immune](#), although the UK and UK architecture may be better placed than most.

RIBA is always here to offer help and advice where it can. RIBA [Business and Career Resilience Hub](#), the [RIBA Practice in a Box](#), and regular [Professional Features](#) provide helpful information for practice resilience and success.

RIBA Future Trends Workload
Index now stands at

+7

The UK Economy

UK Gross Domestic Product (GDP)

Following the recession of 2023, the UK economy rebounded in the first and second quarters of 2024 but showed weak growth in the second half: 0.0% in Q3 2024 and 0.1% in Q4. Sustained growth continues to elude the UK.

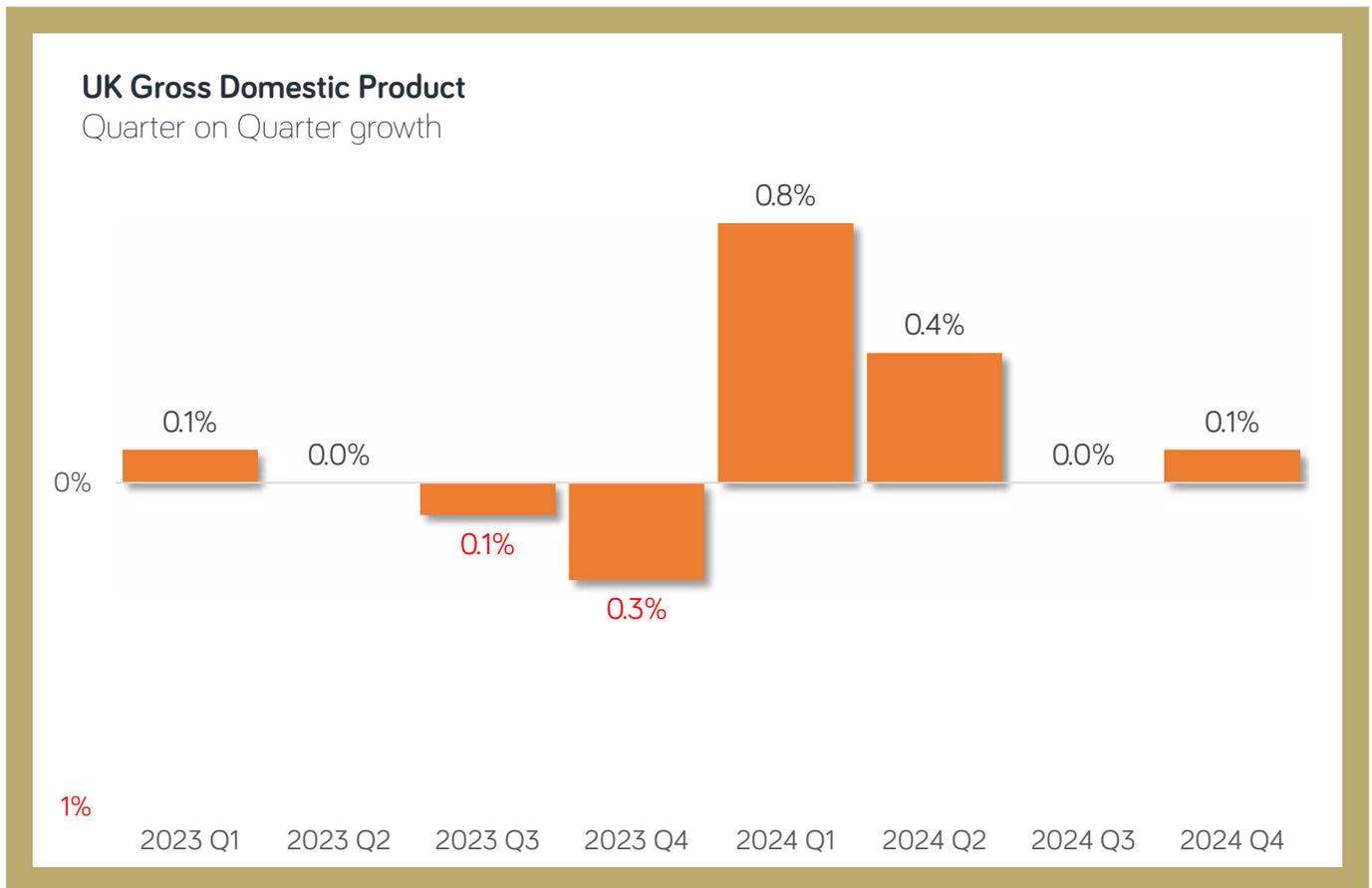
However, the latest Office of National Statistics (ONS) data indicates that the economy has performed better, overall, in the first two months of 2025.

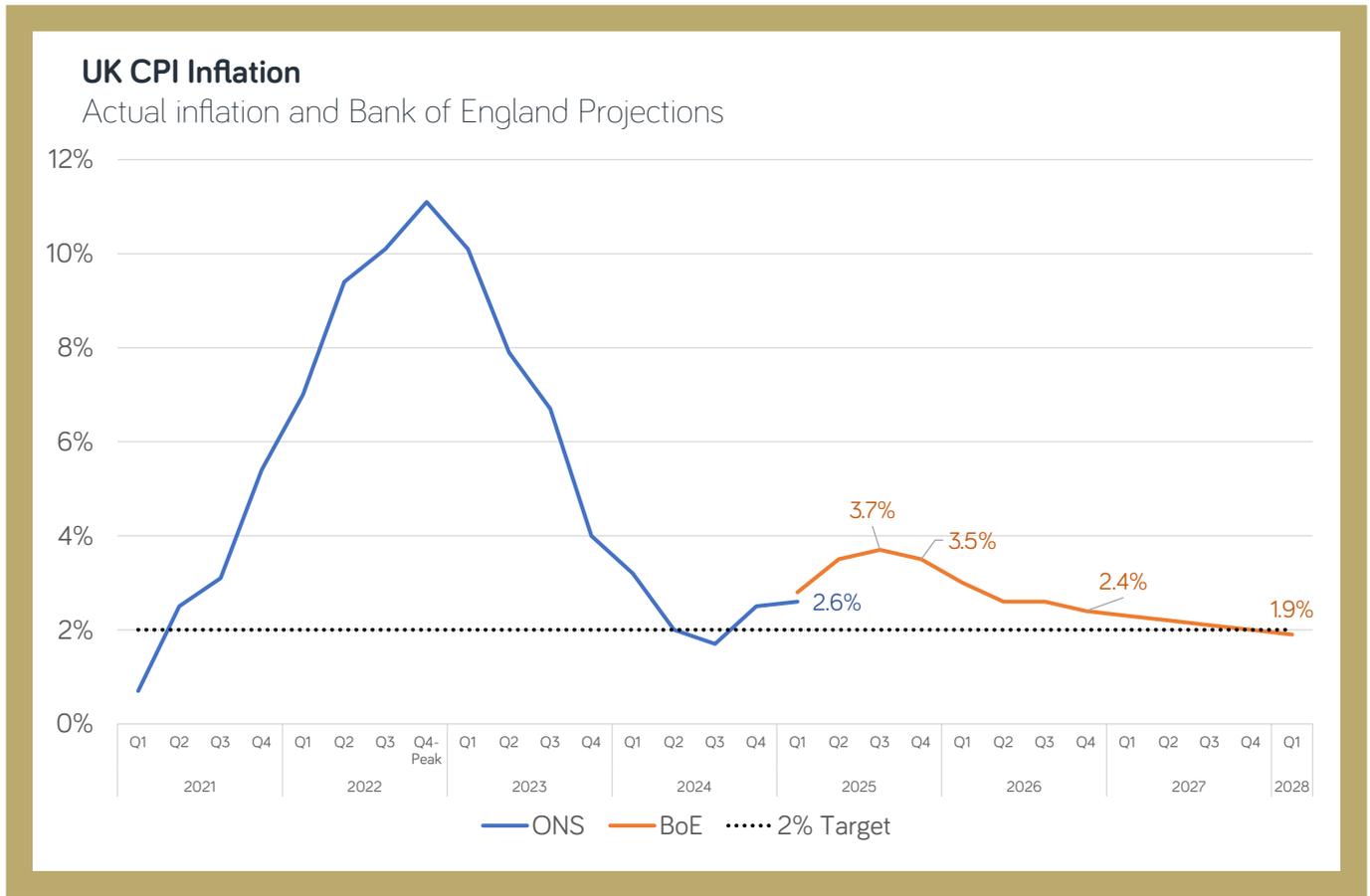
The **monthly** data suggests the UK economy grew by 0.5% in February 2025 after 0.0% in January. The service sector grew by 0.3% in February, and the Production Sector (which includes manufacturing) by 1.5%.

Comparing the **three months** to February 2025 with the three months to November 2024, the ONS estimates that the economy grew by 0.6%. During these three months, the service sector grew by 0.6% and the production sector by 0.7%.

GDP growth, both globally and in the UK, is coming under downward pressure due to the introduction of a range of tariffs on imported goods by the US.

The International Monetary Fund (IMF) notes that *“Tariff shocks depress trade, investment, and output persistently”*.





UK Quarterly CPI: Source ONS and Bank of England (BoE)

Consumer Price Inflation (CPI) remains slightly above target but well below the 2022 peak of 11%. Annual CPI inflation stood at 2.6% in March this year, down from 2.8% in February.

The Bank of England anticipates inflation will rise this year, largely because of increased energy prices, to reach a temporary peak of 3.7% in Q3. After that, the Bank anticipate inflation to fall steadily, remaining slightly above the 2% target in the coming two years but gradually falling below the 2% target by 2027.

Borrowing to invest in buildings becomes easier when interest rates are lower. The Bank of England base rate is now 4.5%, down from a recent peak of 5.25% in 2023 /2024. In March, the Office for Budget Responsibility expected the base rate to fall to 3.8% from mid-2026.

Global trade uncertainty will influence future interest rate decisions. The most likely scenario is that US tariff imposition will reduce inflationary pressures, as exporters to the US seek new markets, and restrain global growth, so making interest rate reductions more likely. However, disruptions in global trade may hinder the supply of goods to the UK, adding to inflationary pressure, so making interest rate reductions less likely.

In the last full forecast (February), the Bank of England anticipated steady but historically subdued GDP growth,

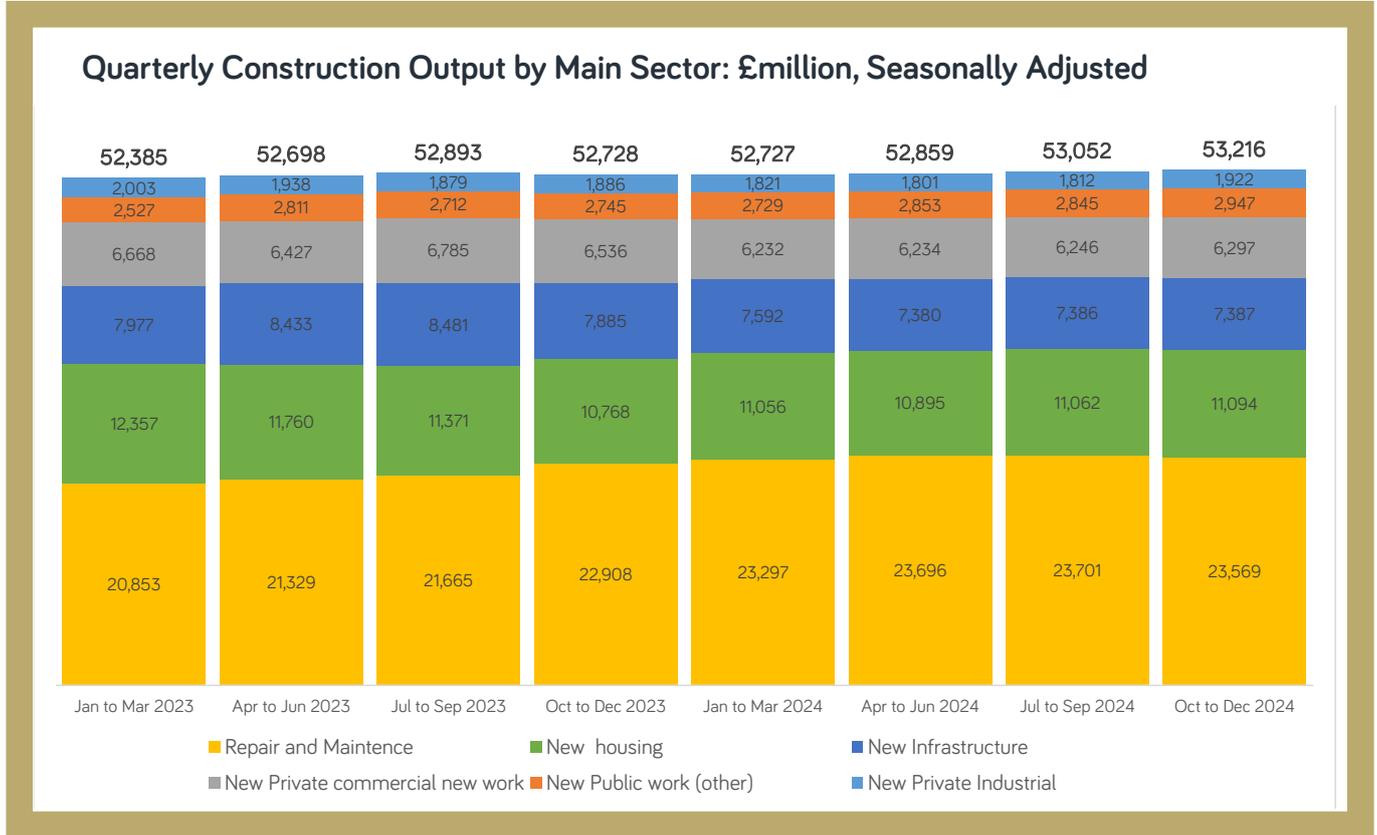
The Bank of England's central forecast for UK GDP growth from 2025 to 2028 is:

- 0.4%** in the year to Q1 2025
- 1.5%** in the year to Q1 2026
- 1.3%** in the year to Q1 2027
- 1.8%** in the year to Q1 2028

Since that forecast, the introduction of trade tariffs by the US has led to a lower assessment of growth prospects. The Governor of the Bank of England has noted that *“Trade does support growth. Fragmenting the global economy would be bad for growth.”*

The International Monetary Fund (IMF) has downgraded its global growth forecast by 0.5% to 2.8%, reflecting the effects of the tariffs and the ongoing uncertainty they have created. The IMF forecast UK growth to be 1.1% this year and 1.4% in 2026, a decrease of 0.5% and 0.1% respectively, since January. The IMF notes that *“intensifying downside risks dominate the outlook”*.

Construction Output



Monthly Construction Output, source ONS

In its latest release of Construction Industry Output data (April 2025), the ONS reported that overall construction output grew in February.

Monthly construction output grew by 0.4% in February, following a decrease of 0.3% in January. February saw growth in both New Work and Repair & Maintenance.

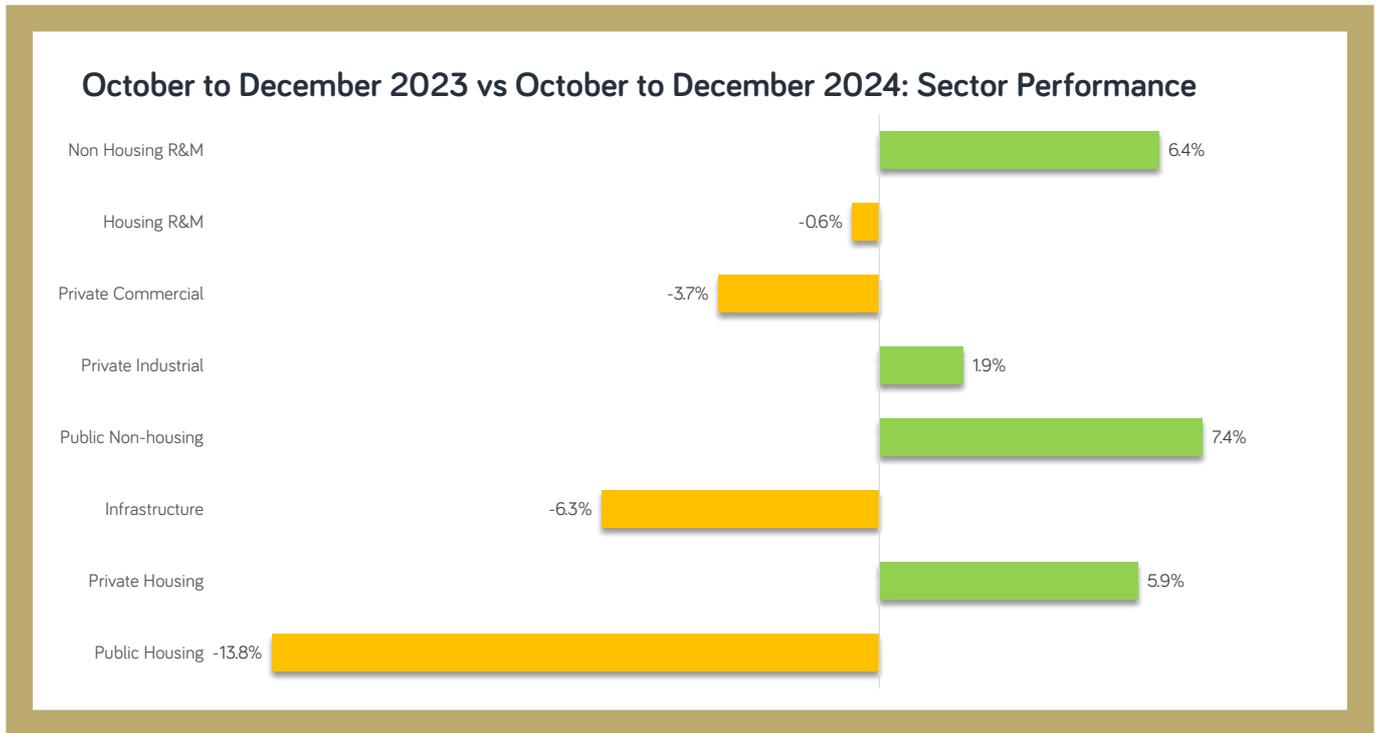
Five of the nine monitored sectors grew in February, with public other new work, and public housing repair and maintenance contributing most to the overall growth.

The ONS estimate that construction output remained flat overall in the **three months** to February 2025, with a 12% increase in New Work offset by a 1.5% decline in Repair & Maintenance.

Construction output is estimated to have grown by

0.0%

in the three months to February 2025



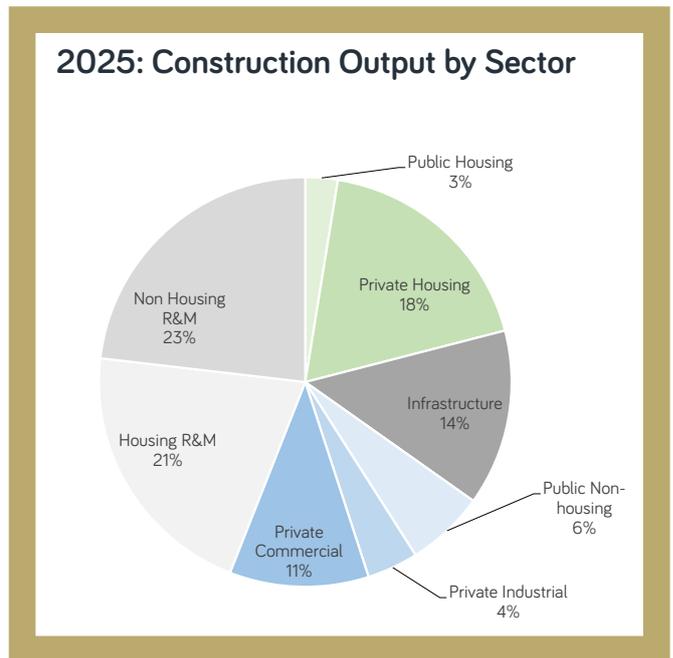
Construction Output by Sector, source ONS

Looking more closely at the quarterly output data by sector, comparing October to December 2023 with the same period in 2024, suggests that public non-housing (7.4% growth) and private housing (5.9% growth) have been the best-performing sectors. The largest decline has been in new public housing, as public housing budgets focussed on repair and maintenance, which saw a 6.4% increase.

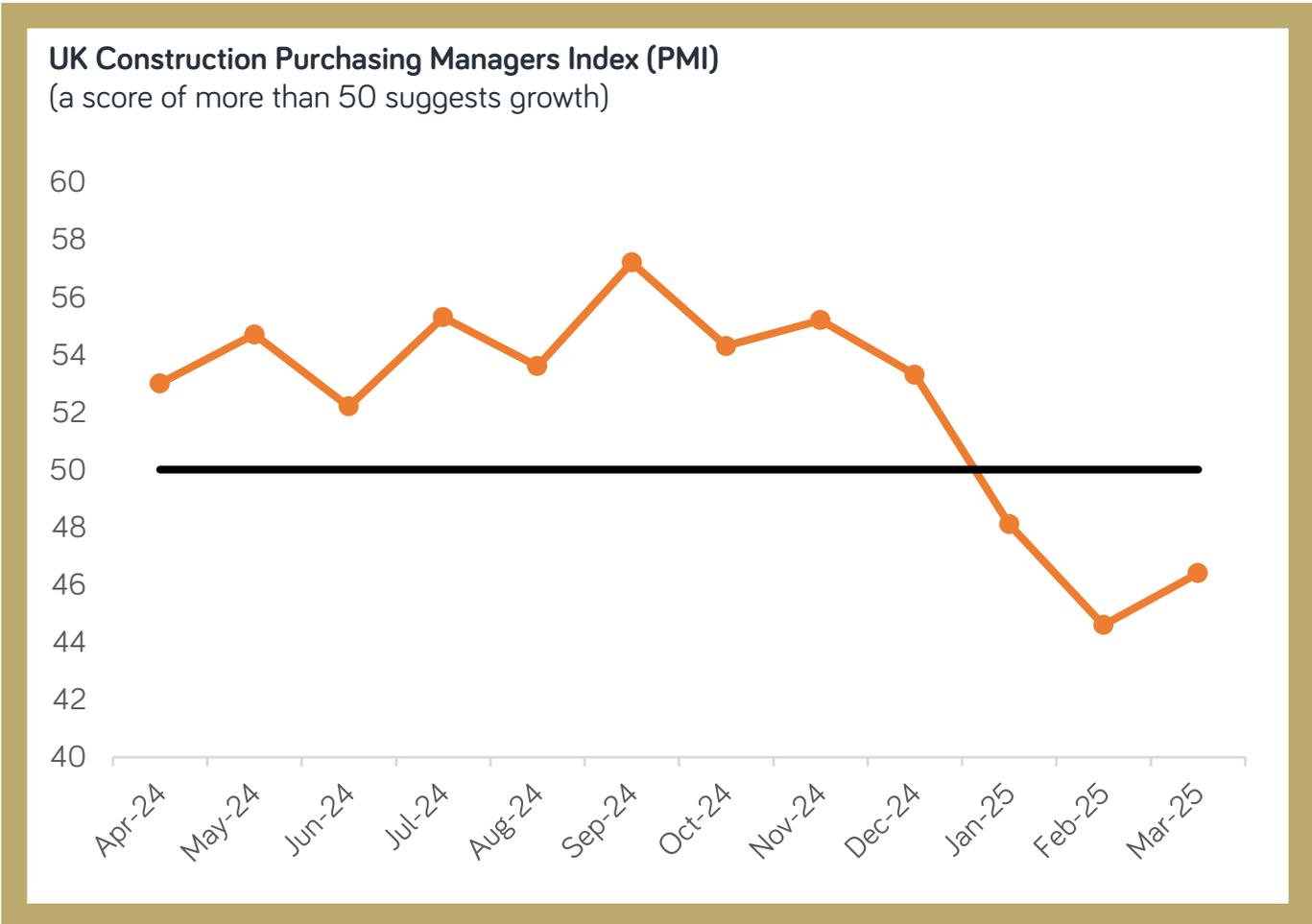
The pie chart on the right shows the sectoral contribution to construction output in the first two months of 2025. It is broadly similar to the industry’s composition in 2024.

However, taking a longer-term view, by comparing 2025 to 2019, Private Commercial work has shrunk from 17% to 11% of the market, and Private Housing from 22% to 18%. Both are significant markets for architecture.

On the other hand, Repair and Maintenance (R&M) has increased, with Housing R&M rising from 18% to 21% of total output and Non-Housing R&M from 17% to 23%.



Construction Output, Sector Contribution, source ONS



Construction PMI, source S&P Global / CIPS

Confidence in the Construction Industry

S&P Global / CIPS monitors activity in the UK construction sector through its monthly Purchase Manager’s Index (PMI). A PMI score of over 50 indicates growth compared with the previous month, and a score below 50 indicates comparative contraction.

The March 2025 PMI Index stood at 46.4, up from a 57-month low of 44.6 in February. It has been below the 50 neutral threshold for the three months since January. The PMI also reports falling employment numbers, pressures on margins, and rising costs.

All sectors monitored in the survey showed declining output levels, with the Commercial sector posting a 47.4 PMI score in March, Residential a 44.7 score, and Civil Engineering faring the worst with a 38.8 score.

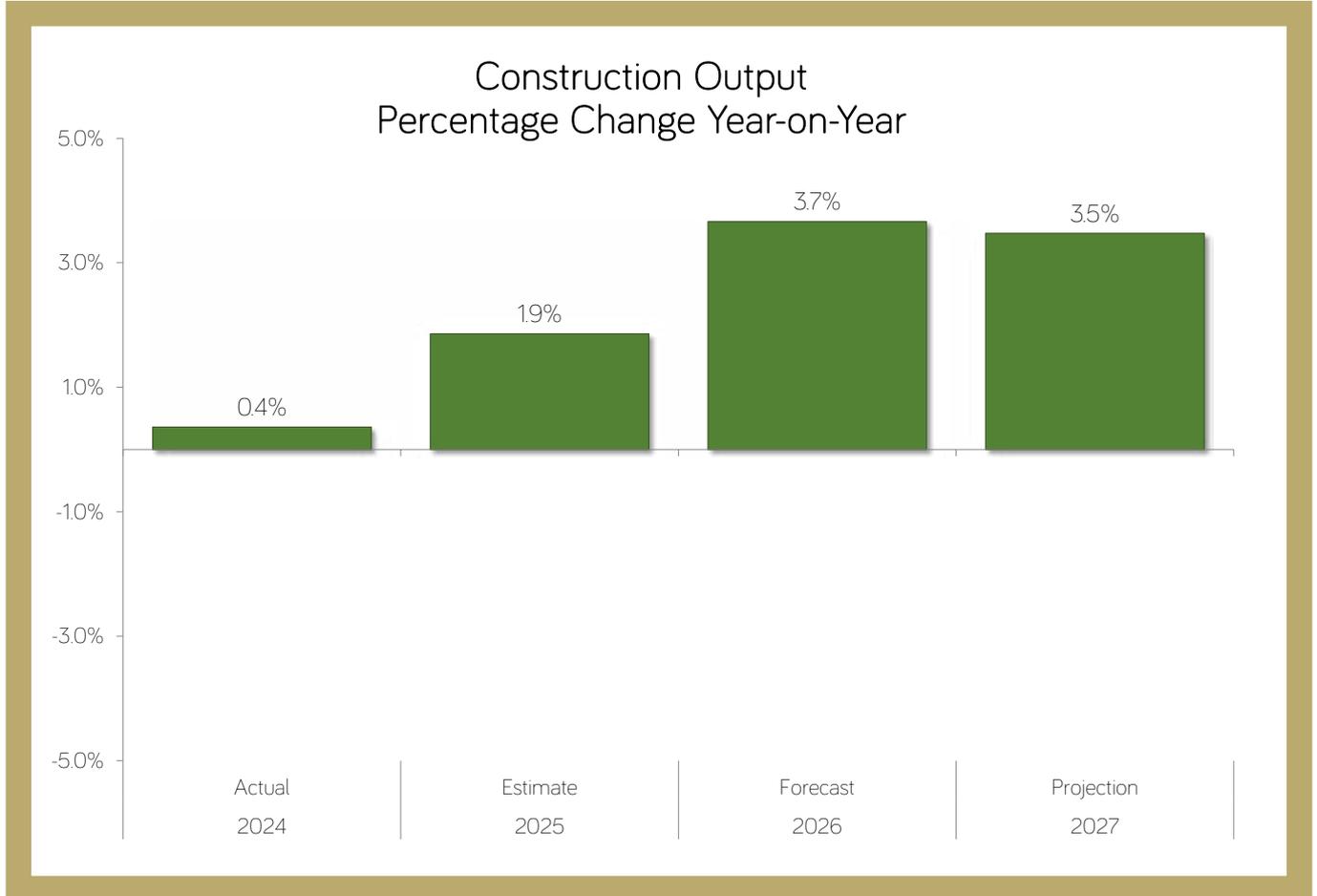
S&P Global gives a somewhat downbeat summary of market conditions, though noting an improvement in the residential sector.

“March data highlighted a challenging month for UK construction companies as sharply reduced order volumes continued to weigh on overall workloads.”

Commercial work saw a headwind from delayed decision-making on major projects, largely due to worries about the impact of rising global economic uncertainty.

The downturn in residential construction activity nonetheless eased since February, providing a source of encouragement despite ongoing reports of sluggish demand conditions.”

Construction Output: Future Projections



Construction Output: source CPA

The Construction Products Association’s (CPA) Construction Industry Forecasts 2023-2025 provide a detailed view of the construction industry’s future performance based on the value of construction output. The latest CPA Construction Industry Forecasts, Winter 2024/25, precede the recent global economic uncertainty sparked by US tariffs and may be revised downwards.

After a challenging 2024, the CPA forecasts that the construction industry will modestly improve in 2025 (by 1.9%), with stronger growth forecast for 2026 (3.7%) and projected for 2027 (3.5%). The CPA notes ‘that US tariff disruption poses the large threat of causing global and UK economic growth turmoil’.

Sectors identified as leading the growth include private housing (4% growth in 2025 and 7% in 2026), private housing RM&I (2% and 3%), public housing (2% and 5%), public housing RM&I (2% and 2%) and public non-housing (2.2% and 4.1%).

Value of Construction Output
2025

+1.9%

Construction Products Association

Architectural Workload

RIBA Future Trends Workload Index*

The first quarter of 2025 has seen architects' confidence about future work growing each month, with the profession now positive about future workload.

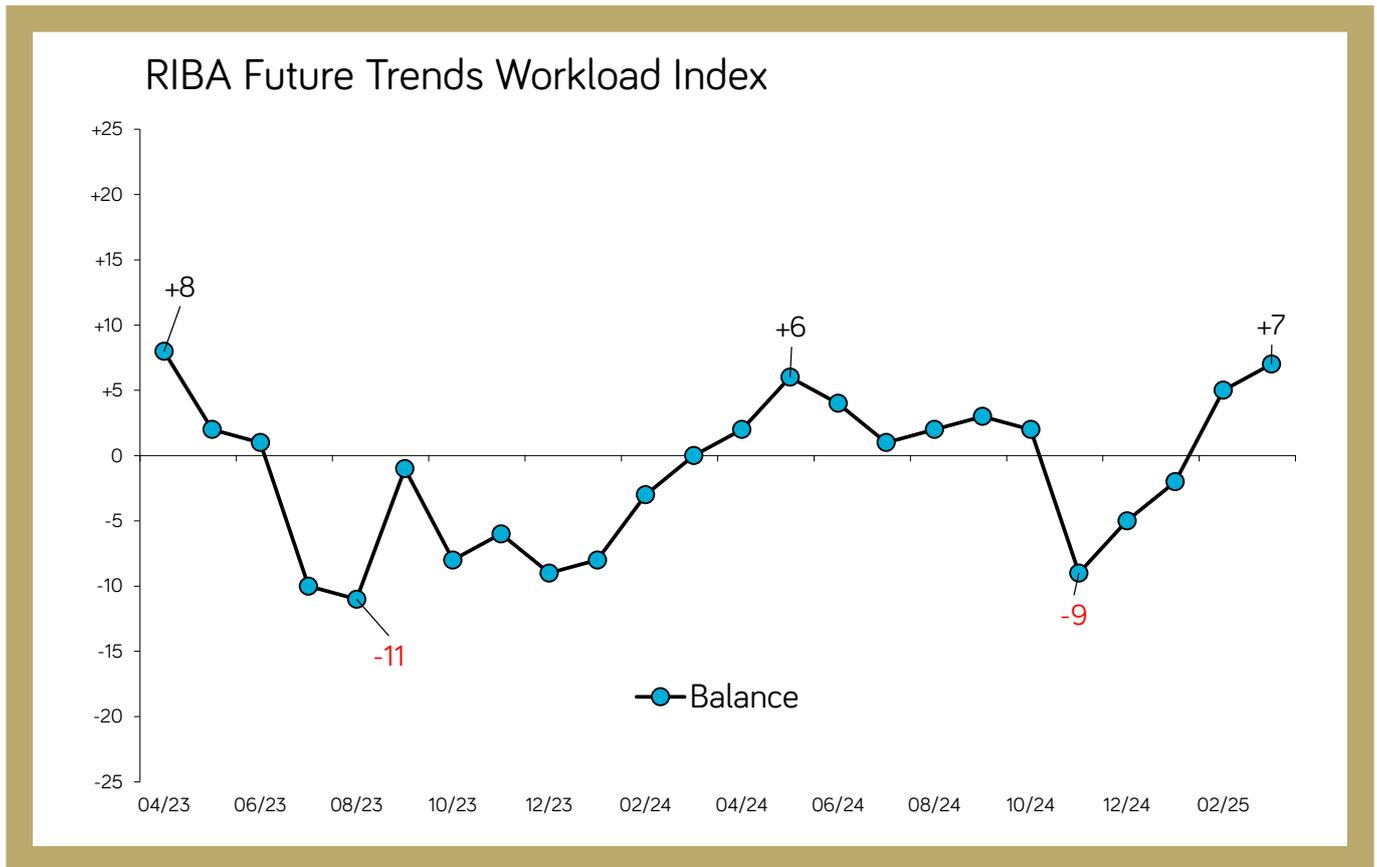
The RIBA Workload Index rose to +7 in March, following a recent low of -9 in November. A positive balance indicates an overall expectation among architects that workloads will increase in the coming three months.

All regions now expect workloads to grow. Optimism about future workload is shared among all practice sizes. The +7 Workload Index of March 2025 compares well with the zero figure of March 2024.

However, global uncertainty and the market turmoil created by the introduction of trade tariffs may temper this recent rise in optimism.

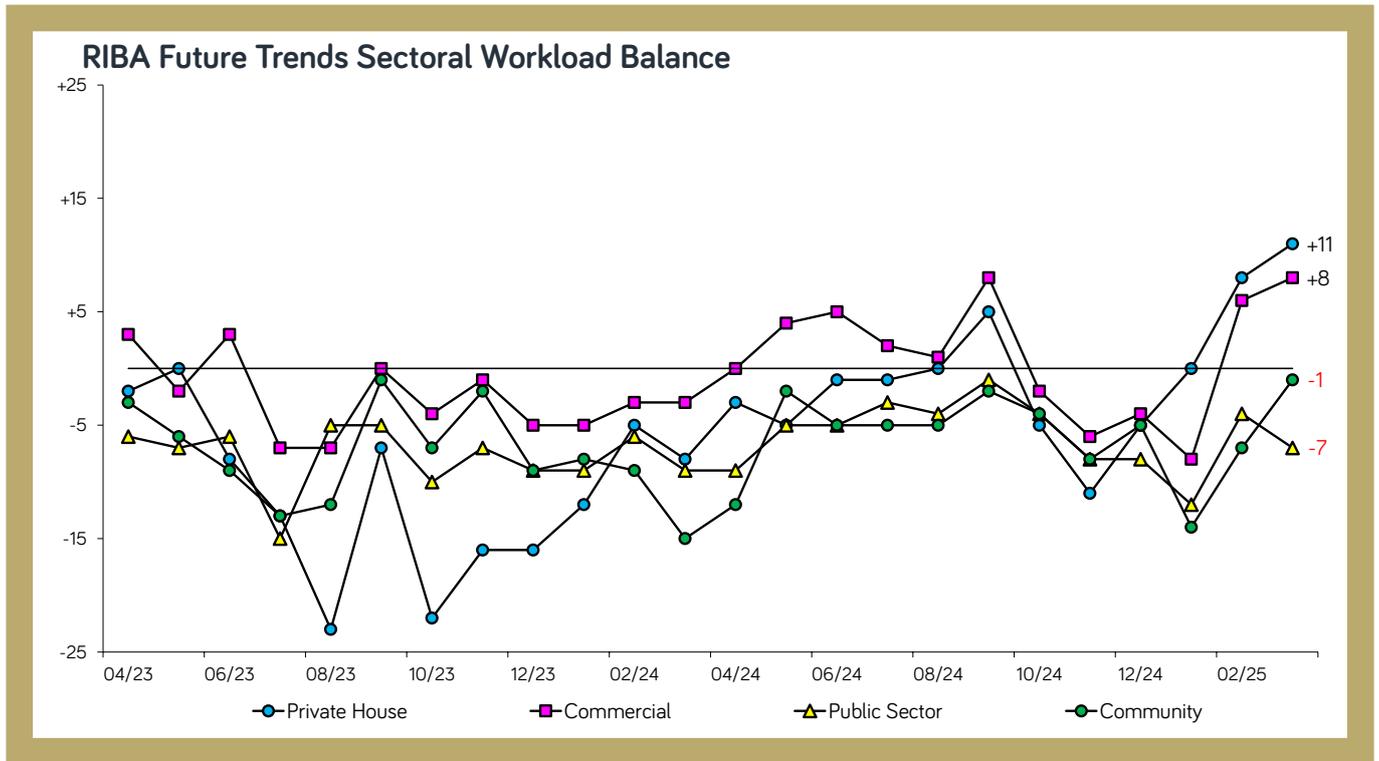
At 0, the RIBA Permanent Staffing Index shows that practices are cautious about recruiting additional permanent staff.

The 2025 RIBA Future Trends reports are [here](#).



*The RIBA Future Trends Workload Index figure is the difference between those expecting more work and those expecting less. A positive score indicates that, on balance, practices expect workloads to increase.

Architectural Workload Index* by Sector



RIBA Future Trends Workload Index by Sector, source RIBA

Looking at the four work sectors monitored through RIBA Future Trends, two are positive about coming workloads, and all sectors have seen an improvement when compared with the end of 2024.

The outlook for **Private Housing** recovered further in March, with a +11 balance figure up from -5 at the end of 2024. This +11 figure is the highest Workload Index for the sector since May 2022.

The **Commercial** sector, which includes work to offices, retail and entertainment, also sees significant improvement this quarter. The sector’s Workload Index stood at +8 in March, up from -8 in December 2024.

The **Community** sector includes work for not-for-profit organisations such as work with churches, charities and trusts; though still negative, workload expectations for the community sector have further improved, with a balance figure of -1 in March, compared with -5 in December 2024 and -14 in January.

The outlook for the **Public sector** has been negative since March 2022 and remains so. March saw the sector post a -7 Workload Index, up only slightly on the -8 figure of December.