ArcaviaConsulting

MARKET REPORT

UK Infrastructure

H1 2026 review, and the outlook for the remaining quarter

July 2026

UK infrastructure is the one part of construction still growing, and the gap between it and everything else widened through the first half of 2026. The survey data looks alarming. The order books do not.

This report explains that contradiction, sets out what is driving demand, and shows where the hiring pressure lands over the rest of the year.

Executive Summary

UK infrastructure grew through the first half of 2026 while the rest of construction contracted. Infrastructure output is forecast to rise 3.2% this year and 3.2% again in 2027, against a private housing market falling by roughly 10%.[4] That divergence is the single most important fact in this market.

The sentiment data tells a different story, and it is the one most people are reading. The construction PMI has sat in deep contraction all year, with the civil engineering sub-index hitting 22.1 in June — its worst reading since April 2020.[1] Taken alone it suggests collapse. It is not what is happening.

The hard data points the other way. ONS output grew 1.6% in the three months to May, the third consecutive three-monthly rise.[2] Contract awards reached £19.8bn in H1, with Q2 running 77% ahead of the same quarter last year.[3] CECA members reported their strongest order books in three quarters, a net 60% expect workloads to rise over the next twelve months, and over half plan to expand headcount.[5] Firms do not hire into a market they think is dying.

£718bn
UK infrastructure pipeline
734 projects, 10 years

+3.2%
infrastructure output growth
forecast 2026 and 2027

41,200
additional workers needed
every year to 2030

What the PMI is measuring is the wait. Contractors have consented, funded work that has not yet reached site. The bottleneck is conversion speed, not demand — and three things break that bottleneck between now and the year end: AMP8 mobilising in volume, the DCO reforms that came into force on 24 July, and main works starting on Lower Thames Crossing in November.

The constraint on delivery is no longer money. It is people. CITB puts the requirement at 41,200 additional workers a year to 2030.[21] Over half of CECA members are already dissatisfied with the availability of skilled operatives.[5] Water, energy transmission, nuclear and major roads will be competing for the same project, commercial and planning population from Q4. If you are hiring into those markets, the window is now.

01 Market Performance

Sentiment is worse than reality

The S&P Global UK Construction PMI read 39.7 in April, 38.2 in May and 38.4 in June. Anything below 50 signals contraction. The civil engineering sub-index fell to 22.1, the sharpest decline since the first Covid lockdown.[1]

Set against that, output has risen for three consecutive three-month periods, up 1.6% in the three months to May.[2] Contract awards hit £19.8bn across the first half, with Q2 at £7bn against £4bn in Q2 2025 and volumes up 4.3% year-on-year. A record £1.3trn of future opportunities was published in Q2 alone, driven largely by North West naval defence frameworks.[3]

Both things are true. The PMI measures how it feels to be a contractor waiting for work to reach site. The order books measure what is coming. Read the second.

What contractors are actually reporting

CECA's Q1 Workload Trends Survey is the most useful single read on this market. CECA represents more than 300 contractors covering around 80% of the civil engineering market in Great Britain, so the sample carries weight.[5]

Workloads fell. On balance 7% of firms reported activity down year-on-year: 27% reported an increase, a third reported a fall, 40% were unchanged. Preliminary works — demolition and site investigation — were down a net 46%.[5]

Every forward-looking measure improved. Order books rose to their strongest level in three quarters, with a net 19% reporting an increase on a year earlier. A net 60% expect workloads to rise over the next twelve months, 55% anticipate higher new work orders and 38% expect repair and maintenance orders to rise. Over half of firms plan to expand their workforce.[5]

> "While it is disappointing to see workloads fall in the first quarter of the year, the wider picture is one of a sector that remains resilient and is looking ahead with confidence. Order books have strengthened, expectations for the next 12 months remain positive, and firms are continuing to expand their workforces."
>
> BEN GOODWIN · DIRECTOR OF POLICY AND PUBLIC AFFAIRS, CECA

Pricing is firming too, which is what you would expect if demand were real: 57% of firms reported higher tender prices for new construction and improvement work, and 56% for repair and maintenance.[5]

Where the work is, and where it is not

- **Strongest:** airports, renewable energy, water and sewerage, local roads
- **Weakest:** preliminary works, communications, strategic roads and motorways

Goodwin's warning is aimed at that second list. Optimism in the pipeline now has to be matched by delivery on the ground, or delays will weaken confidence and make it harder for firms to invest in people, plant and productivity.[5] The ask of government is specific: clear, stable and deliverable pipelines, backed by efficient procurement, early contractor involvement and faster decision-making.

Costs and margins

Cost pressure is real but contained. BCIS has the All-in Tender Price Index up 3.2% year-on-year in Q2 2026 and building costs up 3.8%, with a five-year forecast of 13.1% on building costs and 15.5% on tender prices to Q2 2031.[6] Materials inflation has picked up with Brent crude above $100, but weak demand elsewhere is capping what contractors can pass through. That is margin pressure, not a demand problem.

Contractor results support the optimistic reading. Galliford Try lifted full-year guidance on a 20% profit surge, with margins up from 2.7% to 3.2% and an order book of £4.1bn.[7] JN Bentley grew revenue 5% to £534m, lifted pre-tax profit by over a third to £26m, improved margin from 3.7% to 4.8% and grew headcount 9% to 2,216.[8] Margin and headcount rising together is the clearest signal a contractor can send.

Market at a glance

INDICATOR	LATEST READING	TREND
ONS construction output	+1.6% in the three months to May 2026 (third consecutive rise)	Up
Contract awards	£19.8bn in H1 2026; Q2 up 77% on Q2 2025	Up
Published pipeline	Record £1.3trn of future opportunities in Q2 2026	Up
NISTA 10-year pipeline	734 projects worth £718bn; energy largest at £365bn	Up
CPA infrastructure forecast	+3.2% in 2026, +3.2% in 2027	Up
CECA order books	Strongest in three quarters; net 19% report an increase	Up
CECA 12-month expectations	Net 60% expect higher workloads; over half to grow headcount	Up
CECA Q1 workloads	Net 7% down year-on-year (27% up, 33% down, 40% flat)	Down

INDICATOR	LATEST READING	TREND
CECA tender prices	57% report higher prices on new work; 56% on R&M	Up
Construction PMI	38.4 in June (39.7 April, 38.2 May); civils sub-index 22.1	Down
BCIS tender prices	+3.2% year-on-year Q2 2026; +15.5% forecast to Q2 2031	Up
Workforce requirement	41,200 additional workers a year, 2026 to 2030	Gap

02 Key Findings

2.1 The pipeline is committed, visible and now consented

NISTA's updated 10-year Infrastructure Pipeline covers 734 projects worth £718bn, with energy the largest sector at £365bn.[9] It sits under a government commitment of at least £725bn across the 10 Year Infrastructure Strategy.[10] Nobody can now claim they cannot see the work.

The more consequential change is consenting. The bulk of the Planning and Infrastructure Act's DCO reforms came into force on 24 July 2026 — the biggest overhaul of the NSIP regime since it was created. Statutory pre-application consultation has been abolished and replaced with non-statutory guidance published on 3 July.[11,12] The effect is faster, more proportionate consenting with less exposure to judicial review.

This is the most underrated development of the year. It structurally shortens the gap between announcement and spade — which is exactly the gap the PMI has been measuring.

2.2 Water is the sector about to break

AMP8 is roughly twice the size of AMP7. The CMA determinations confirmed £104bn of capital and operating spend to 2030, including a fourfold rise in enhancement investment to £44bn.[13]

It started slowly. Designs and approvals took longer than the sector wanted, and that lag is part of what the Q1 workload numbers were picking up. The first two years of an AMP cycle are always the busiest for framework appointments, and that procurement is now largely done.

JN Bentley's board has said publicly that the increased workload will lead to resourcing pressures in some specialisms or geographies that will require careful management.[8] When a contractor of that size warns about staffing capacity in its own accounts, take it at face value. Water is where the hiring pressure lands first.

2.3 Energy is the largest and most consistent grower

National Grid is investing up to £35bn in transmission between 2026 and 2031, covering 17 ASTI projects and upgrades to 3,500km of overhead line, with a further £4.5bn of re-opener submissions to Ofgem.[14]

On nuclear, Rolls-Royce SMR has signed its contract with Great British Energy – Nuclear for three units. Wylfa is confirmed as the first site, with works expected to begin during 2026 and around 3,000 jobs at peak.[15] Sizewell C has doubled its daily site workforce to over 2,000, heading for a peak of about 8,000.[16]

Energy is where the volume, the programme duration and the salaries are. For candidates, a transmission or nuclear programme now offers something most of the market cannot: a decade of visible work.

2.4 The mega-projects are converting from consent to construction

Lower Thames Crossing, at £10.2bn, began early works in March 2026. Main construction starts in November and tunnelling in 2028, with Bouygues/Murphy JV, Balfour Beatty and Skanska engaged and a target of recruiting half the workforce within 20 miles of the route.[17]

Heathrow's third runway, at around £33bn, is moving. The draft Airports National Policy Statement was published over the summer, Parliament decides in the autumn, and a DCO decision is targeted before the end of this parliament.[18] Northern Powerhouse Rail returned in January as a £45bn phased programme, with £1.1bn allocated to design and preparatory stages — consultancy and pre-construction work now, construction after 2030.[19]

HS2 remains the exception and the sector's reputational drag. The reset slipped in March and again in May, with revised estimates now not due until the end of the year and a full picture promised by April 2027. Costs have moved toward £87.7bn to £102.7bn in 2025 prices and the 2033 target has been abandoned.[20] It still gets built — cancellation would cost £33bn to £58bn against £46.8bn to £61.7bn to finish — but it continues to distort the political conversation about whether this country can deliver anything.

2.5 Skills are the binding constraint, not funding

CITB's Workforce Outlook puts the requirement at 41,200 additional workers a year between 2026 and 2030 — over 206,000 across five years.[21] CECA members report 55% dissatisfied with the availability of skilled operatives and 48% short of professional staff.[5]

With 40% of the workforce over 45 and the post-Brexit European labour gap unfilled, delivery is now more likely to be limited by people than by capital. This is the defining feature of the market and the reason the rest of this report matters to anyone hiring.

The design side is lagging the civils recovery, which is worth knowing if you recruit across both. The AJ100 shows the largest practices employing a record 7,729 qualified architects, but growth is tapering, fee income has plateaued and the proportion of architectural assistants continues to fall.[22] RIBA Future Trends has the Workload Index at around minus 1, with commercial improving, private housing deeply pessimistic and the Staffing Index turned negative.[23] Design bites first in a downturn and recovers last. The practices finding growth are those attached to infrastructure and masterplanning work.

03 Outlook for the Remaining Quarter

Q3 finishes soft on the surveys and stronger on the substance. Q4 is where it turns.

What to expect

- **The PMI stays in contraction, and it stops mattering.** August and September will likely stay in the high 30s or low 40s with civils weakest. The sentiment index lags order books by two to three quarters. Read CECA's next trends survey and the contract award data instead.
- **AMP8 conversion accelerates.** The clearest near-term positive. Frameworks appointed through 2025 and 2026 start mobilising in volume, and we expect a run of water contract announcements and a visible spike in water sector hiring from September.
- **Consenting reform starts producing decisions.** The 24 July DCO changes should show up in shorter examination timetables during Q4. Early evidence of that will lift contractor confidence quickly.
- **Lower Thames Crossing main works from November.** A genuine inflection point, and the largest single mobilisation in the road sector for years.
- **Heathrow ANPS through Parliament in the autumn.** If it clears, expect an immediate surge in aviation pre-construction, design and commercial appointments. The biggest single upside in the calendar.
- **Wylfa SMR works starting on site.** Likely a Q4 announcement, and the point at which the SMR programme becomes a real hiring market rather than a policy one.

Where the risks sit

Materials inflation on sustained high oil prices is the main one, squeezing margins on fixed-price work signed in 2024 and 2025. Insolvencies remain elevated, with construction still running at around 16% of all UK insolvencies. The autumn Budget will be read closely for any softening on capital commitments, and the CPA has already flagged that the 2027 recovery is exposed to further shocks.[4]

Our view

> The funding is committed, the pipeline is published, the consenting regime has just been reformed in the sector's favour, and contractors are hiring against it. The weak spot is conversion speed, not demand. Infrastructure enters 2027 with the fullest order books it has had since the early 2020s — and the constraint on delivery will be talent, not money.
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04 Implications for Hiring Leaders

Four things follow from the above if you are building a team in this market.

Move before the Q4 mobilisations, not during them

Water, energy transmission, nuclear and major roads will all be drawing on the same pool of project, commercial and planning people from Q4. AMP8 mobilisation and Lower Thames Crossing main works land within weeks of each other. Hiring into that is materially harder and more expensive than hiring ahead of it. If you have approved headcount for the autumn, run those searches now.

Sell programme duration, because your competitors can

A candidate weighing an offer in this market is weighing visibility of work. A transmission programme running to 2031, an AMP cycle to 2030 or a nuclear build with a decade ahead of it answers that question in a way a two-year building contract does not. If your programme has that duration, lead with it. If it does not, expect to pay for the difference.

Watch where the weakness is, not just the strength

Preliminary works, communications and strategic roads are the soft spots. That is where good people are currently underemployed and where the best value in the market sits. Firms with strong Q4 order books in water and energy should be looking at experienced people coming out of delayed roads and prelims work now, while they are available.

Treat the design side as a separate market

Architecture and design consultancy are running a different cycle to civils, with fee income flat and staffing expectations negative.[22,23] The practices with momentum are those attached to infrastructure and masterplanning. If you are hiring design leadership, the availability is better than the civils market would suggest — and it will not stay that way once the pipeline converts.

About Arcavia Consulting

ArcaviaConsulting

Talent intelligence for the built environment — embedded, exclusive, and AI-native.

We work with architecture and design consultancies, civil engineering and infrastructure businesses, project and cost consultancies and main contractors across the UK, Europe and the US. We embed with clients one to two days a week, work exclusively, and run AI-native systems rather than bolt-ons — which gives us a speed and cost advantage we pass on.

Alongside search, we provide salary benchmarking, competitive intelligence, market movement analysis and talent process guidance. Roles we recruit include Project and Programme Directors, Commercial Directors and Managers, Estimators, Bid Managers and Writers, Planners, Architects and Urban Designers.

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Methodology

This report covers January to July 2026 and was compiled in the week ending 30 July 2026.

Market performance figures are taken from primary sources: ONS construction output and new orders, the S&P Global UK Construction PMI series, the CECA Workload Trends Survey, the Construction Products Association Summer Forecast, BCIS indices and forecasts, and CITB workforce projections. Pipeline and policy figures come from NISTA, HM Treasury, MHCLG and Ofgem. Contractor performance figures are taken from published company results.

Trade press sources include New Civil Engineer, Construction Enquirer, Construction News, Building, Building Design and the Architects' Journal. Several Construction News, Building and Architects' Journal articles sit behind subscriber paywalls that were not accessible during compilation; in each case the underlying figures were verified against the primary source rather than relied on from secondary reporting.

One correction worth noting for anyone checking our numbers. Several secondary sources currently circulate July 2025 PMI readings (44.3, from 48.8) as though they were current. They are not. The 2026 series runs 39.7 in April, 38.2 in May and 38.4 in June, and the July 2026 reading was not published at the time of writing.[1]

Forecasts and forward-looking statements are Arcavia's own reading of the evidence and are marked as such.

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