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Middle East And North Africa

Infrastructure Report

Quarterly Report: Forecasts to 2035





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Key View

Key View: The MENA construction industry will see significant growth over the coming years, outperforming the global growth average. This will be supported by the advancement of large-scale infrastructure and building projects.

Key Forecasts And Latest Updates

- The Middle East and North Africa (MENA) region is set for a significant contraction in construction gross value added (GVA) during 2026. We forecast that the industry will contract in real terms by 3.3%, following estimated growth of 2.7% in 2025.
- Large-scale infrastructure and building projects will underpin construction GVA in the region over the long term. However, risks to the short-term outlook remain skewed to the downside as the likelihood of a further prolonged or escalated US-Iran conflict, and the continued closure of the Strait of Hormuz, remain high.
- Within the infrastructure sector, rail and power infrastructure segments will see significant investment, while investment in water infrastructure will be supported by public finance as water shortages and damaged legacy infrastructure drive demand, making water infrastructure a strategic priority for governments across the region.
- Egypt is set to outperform its regional peers on construction growth over the coming years, with Israel and Saudi Arabia also forecast to see substantial growth.

Infrastructure – Construction Industry Forecasts (MENA 2025-2035)

	2025e	2026f	2027f	2028f	2029f	2030f	2031f	2032f	2033f	2034f	2035f
Construction industry value, USDbn	347.80	355.93	377.27	402.70	427.35	451.92	477.23	503.38	530.75	555.94	582.88
Construction industry value, real growth, % y-o-y	2.69	-3.27	5.06	3.66	3.06	2.67	2.59	2.68	2.60	1.82	0.81

e/f = BMI estimate/forecast. Source: National sources, BMI

Risk/Reward Index

- The MENA region exhibits a moderately attractive infrastructure development environment, as reflected in an average score of 51.4 out of 100 in our Infrastructure Risk/Reward Index (RRI) for markets across the region. A lower score signifies a more attractive market environment.
- This positions the region as the third most appealing for infrastructure development based on market attractiveness, according to our Infrastructure RRI, trailing North America and Western Europe, and Asia-Pacific.



Infrastructure Risk/Reward Index (Global June 2026)

	INDUSTRY REWARDS	COUNTRY REWARDS	INDUSTRY RISKS	COUNTRY RISKS	RISK/REWARD INDEX	REGIONAL RANK
North America & Western Europe	56.7	46.4	17.1	16.5	38.3	1
Asia-Pacific	38.6	48.0	48.7	43.5	43.9	2
Middle East & North Africa	47.7	45.4	59.8	56.6	51.4	3
Central & Eastern Europe	56.3	56.0	44.4	45.5	51.7	4
Sub-Saharan Africa	43.8	51.3	70.1	80.1	58.1	5
Latin America	60.6	52.6	61.8	59.8	58.8	6

Note: May include territories, special administrative regions, provinces and autonomous regions. Scores out of 100; lower score = more attractive market. Source: BMI Infrastructure Risk/Reward Index



Industry Risk/Reward Index

Middle East And North Africa Infrastructure Risk/Reward Index: Pockets Of Opportunity Amid An Increased Risk Environment

Key View: *The Middle East and North Africa region collectively contain an infrastructure development environment that falls broadly in line with the global average, with modestly elevated risks and favourable rewards. The markets' vast disparity between the highest scoring and lowest scoring markets helps to depict the significant pockets of opportunity, particularly in the GCC region.*

Main Regional Features and Updates

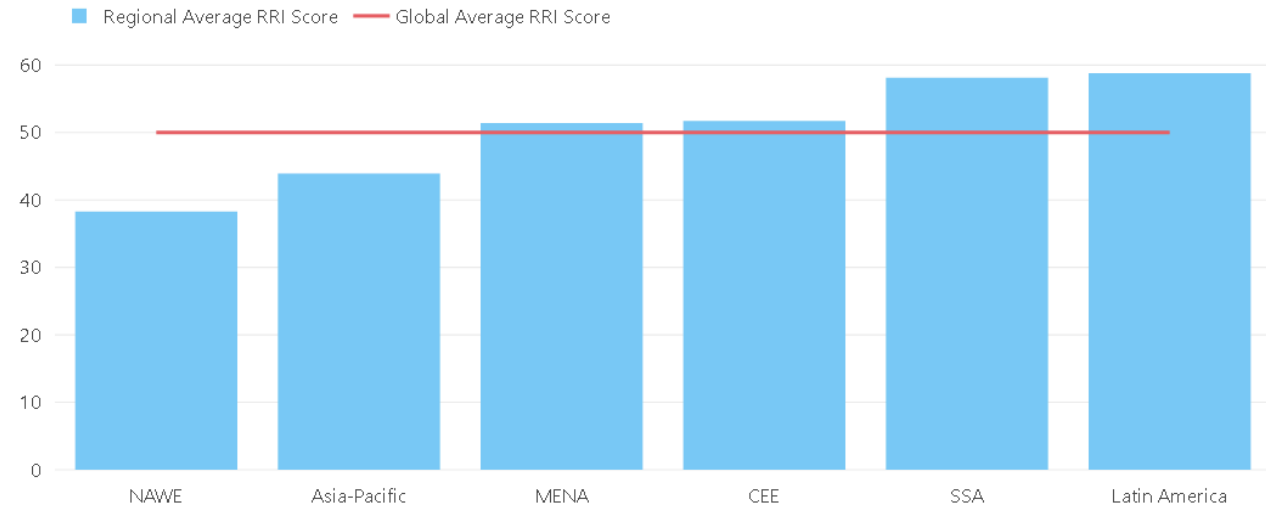
- The Middle East and North Africa (MENA) region scores 51.4 out of 100 in our Infrastructure Risk/Reward Index (RRI), which assesses the relative attractiveness of infrastructure markets globally, with a lower score indicating a more attractive market. This compares to a global average of 50 and places the region as the third most attractive region globally behind North America & Western Europe (NAWE) and Asia-Pacific.
- The region displays a high-risk, high-reward profile. MENA's average score of 46.8 in the Rewards component of the RRI highlights relatively strong infrastructure opportunities, while its average score of 58.2 in the Risks component reflects a more challenging operating environment across many markets.
- MENA is the most diverse region globally in terms of total RRI score range, with Yemen the least attractive market in the region at 80.7 and the UAE the most attractive at 32.3. This wide dispersion underlines the uneven distribution of risk and opportunity across the region, with Gulf Cooperation Council (GCC) markets generally outperforming non-GCC peers.
- While near-term rewards are becoming more exposed to geopolitical and macroeconomic downside risks, MENA's longer-term infrastructure outlook remains positive. Strong project pipelines in key GCC markets, supportive fiscal positions, favourable demographic trends and deep construction sector capacity continue to underpin demand and project delivery over time.

Infrastructure Risk/Reward Index Methodology: Our Infrastructure RRI provides a transparent, data-driven ranking of market attractiveness for infrastructure investment, balancing long-term opportunities ('Rewards') against sector-specific and broader market risks ('Risks'). The index is deliberately overweight on Rewards (60.0% of the final score), particularly industry size and growth potential, to highlight markets with strong investment opportunities. Our methodology combines proprietary forecasts, analyst expertise and globally comparable benchmarks, ensuring actionable, forward-looking insight across 104 markets.



MENA Sits Middle Of The Pack

Global - RRI Global & Regional Average Scores



Notes: Scores out of 100, lower score = more attractive market
Source: BMI Infrastructure Risk/Reward Index



A High-Risk, High-Reward Picture With Wide Variation In Scores

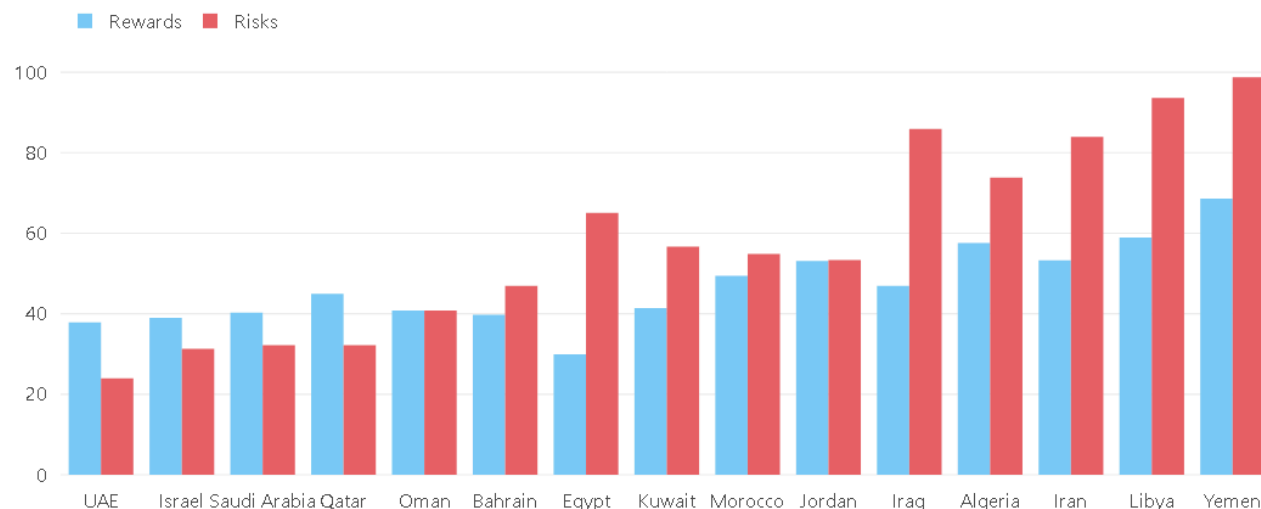
MENA markets on average score 51.4 out of 100 in our Infrastructure RRI, compared with a global average of 50, with the region’s overall profile reflecting its longstanding high-risk, high-reward characteristics. While its average score of 46.8 out of 100 in the Rewards component of the RRI points to strong infrastructure opportunities, its elevated average score of 58.2 in the Risks component underscores the more challenging operating environment across many markets.

Within this, the region stands out for the sharp variation in attractiveness among markets, with MENA the most diverse region globally in terms of total RRI score range. Yemen is the highest-scoring market in the region at 80.7, while the UAE is the lowest-scoring and the most attractive, at 32.3. This wide dispersion highlights the uneven distribution of both risk and opportunity across the region. It also reflects the structural depth of MENA’s stronger construction markets, supported by access to global supply chains, relatively well-developed financial markets and the presence of large domestic and regional construction firms capable of delivering highly complex projects.



Uneven Distribution Of Risk & Opportunity

MENA - Infrastructure RRI, Risks & Reward Component Score By Market



Notes: Scores out of 100; lower score = more attractive market
Source: BMI Infrastructure Risk/Reward Index



Rewards Remain Resilient Amid Significant Headwinds

Looking specifically at the Rewards component of the RRI, which accounts for 60% of the overall RRI score, MENA remains one of the more attractive regions globally despite a more challenging external environment. The region's average score of 46.8 in the component continues to be supported by both solid construction market fundamentals and a comparatively supportive medium-term macroeconomic outlook, reflected in balanced scores in both Industry Rewards and Country Rewards subcomponents. The Industry Rewards and Country Rewards subcomponents evaluate the industry's size and growth potential, and a market's macroeconomic characteristics that directly impact the size of the market's business opportunities.

The balance between the region's average scores across both subcomponents underscores the extent to which construction activity across MENA remains closely tied to economic fundamentals, particularly in markets where public financing, state-backed developers and sovereign wealth funds continue to buoy project pipelines and construction activity.

While MENA's average Reward score of 46.8 indicates that the region remains more attractive than the global average, the near-term outlook is becoming more challenging, with risks decidedly to the downside. This largely reflects the weighting of construction industry growth and broader macroeconomic drivers within the Rewards component, leaving the region sensitive to any deterioration in trade flows, input costs, financing conditions and labour market conditions. Already, we have seen a significant impact of the US/Iran conflict on near-term construction growth outlooks in the region. The direct conflict-related impacts, including the closure of the Strait of Hormuz, have resulted in MENA's average score in the Rewards component of the RRI increasing from 45.7 to 46.8. Further downward revisions to our forecasts are increasingly likely as the conflict and the related closure of the Strait of Hormuz persist, pointing to further disruption of key trade routes, increased cost and reduced availability of critical construction inputs, and deeper economic impacts across the region.

MENA's longer-term infrastructure outlook remains positive, supported by strong project pipelines and relatively favourable fiscal positions in major economies. Demographic trends also remain supportive in several markets. The region also benefits from deep construction capacity, including access to global supply chains, developed financial systems, and experienced domestic and regional contractors.

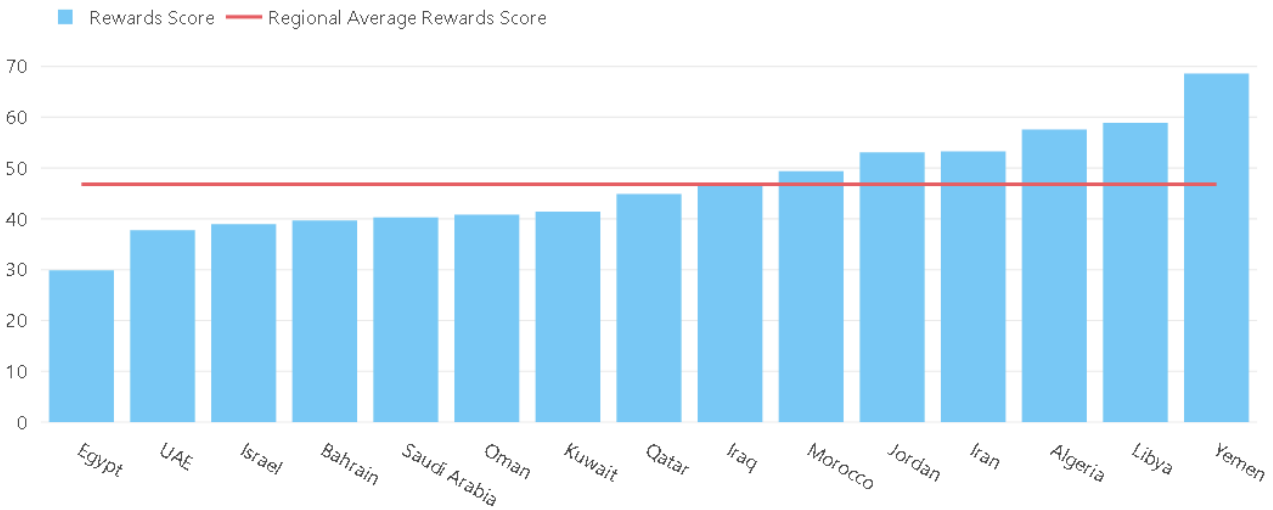
At the individual market level, Egypt, Israel and the GCC markets stand out relative to their peers, with scores of 29.9, 39.0 and 40.8 in the Rewards component of the RRI. While the drivers of these scores vary across markets, they are generally supported by deep



and liquid domestic banking systems, a strong presence of foreign entities involved in construction projects and access to diverse financing channels. Together, these factors have helped build significant capacity across the construction sectors in these markets, while also supporting project demand and the development of domestic construction expertise. This has, in turn, driven construction market size and activity growth. In the GCC, these strengths are further supported by fiscal resilience despite ongoing conflict-related disruptions.

Significant Range Of Rewards In The Region

MENA - Infrastructure Rewards Score By Market & Regional Average



Notes: Scores out of 100; lower score = more attractive market
Source: BMI Infrastructure Risk/Reward Index



Reshaping Risks In The Region

Turning to risks, MENA's construction sector continues to face a fairly even mix of industry-specific pressures and broader country-level challenges. This quarter, markets in the region scored on average 58.2 out of 100 in the Risks component of the RRI, making it the third-riskiest region globally, behind Sub-Saharan Africa at 75.1 and Latin America at 60.8. At the regional level, risks remain broadly balanced between the Industry Risk and Country Risk subcomponents. These consider industry-specific factors including the openness of a market's competitive landscape, the risk of project delays and the legal environment for infrastructure development, as well as broader country-level factors such as political, economic and operational risk. This quarter, the region's markets scored on average 59.8 in the Industry Risks subcomponent of the RRI and 56.6 in the Country Risks subcomponent.

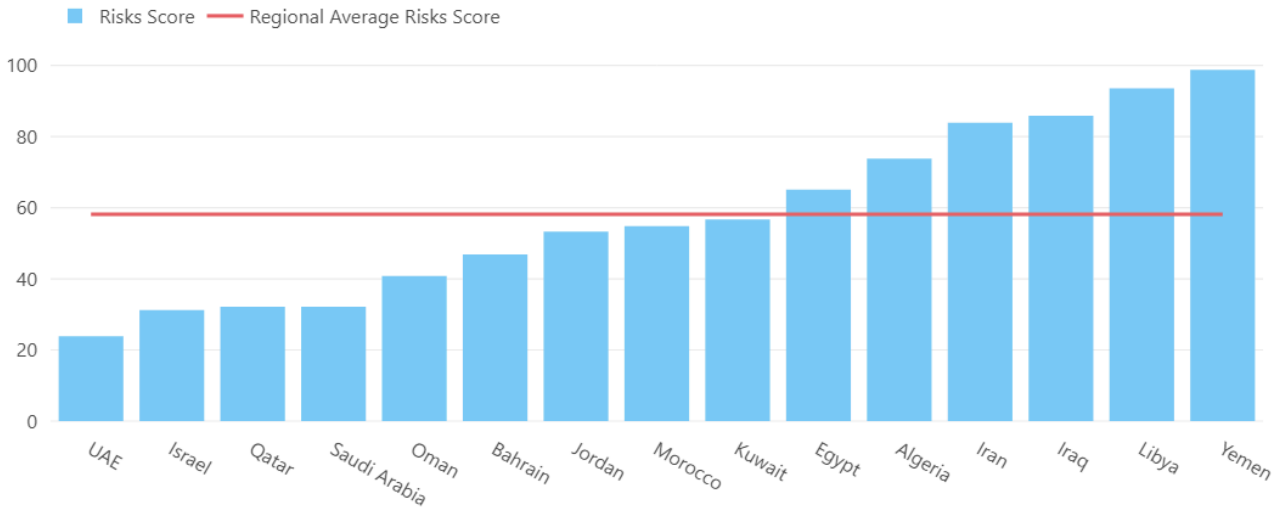
In recent years, we have highlighted a broader push towards de-risking across key construction markets, particularly through the adoption of internationally recognised contract frameworks and labour standards aimed at improving market accessibility for foreign firms. These measures have supported investor confidence by easing compliance concerns, strengthening supply chain integration and helping to attract greater foreign direct investment. Structural risk conditions in parts of the region have gradually improved, particularly where governments have prioritised regulatory reform and external investor participation.

However, at the sub-regional level, risk exposure remains highly uneven, with a clear divide between the relatively stronger-performing GCC markets and more structurally challenging non-GCC peers. This divergence has channelled investment towards a narrower group of markets, contributing to concentrated pockets of opportunity while reinforcing wider disparities in infrastructure capacity and economic diversification across the region. In the GCC in particular, strong state backing, greater foreign participation in project delivery and continued progress in legal and contractual standardisation have helped lower selected aspects of market and industry risk over time. We continue to expect these structural advantages to support a more favourable long-term risk trajectory in the GCC relative to much of the wider region.



GCC Continues To Outperform On Risks

MENA – Infrastructure Risks Score By Market & Regional Average



Notes: Scores out of 100; lower score = more attractive market
Source: BMI Infrastructure Risk/Reward Index



Recent regional conflict has partially disrupted this trajectory. In part, this reflects the fact that some of the markets most affected had entered the period from a relatively favourable risk position, making the deterioration more visible. However, we also note more substantive pressure on the industry, particularly risks to project advancement and contractual stability, including the potential for renegotiation along the project chain if energy market disruption feeds through into higher input costs. This is significant given the importance GCC markets have placed in recent years on improving contractual and legal frameworks to facilitate foreign firm participation.



Middle East And North Africa - Infrastructure Risk/Reward Index

	Industry Rewards	Country Rewards	Rewards	Industry Risks	Country Risks	Risks	RRI	Regional Rank	Global Rank
UAE	41.6	32.2	37.8	24.1	23.8	23.9	32.3	1	6
Israel	41.7	34.8	39.0	40.5	22.0	31.2	35.9	2	14
Saudi Arabia	45.0	33.2	40.3	36.9	27.5	32.2	37.0	3	17
Qatar	52.8	33.2	44.9	36.2	28.2	32.2	39.8	4	24
Oman	33.7	51.5	40.8	44.8	36.8	40.8	40.8	5	26
Bahrain	34.3	47.9	39.7	41.3	52.5	46.9	42.6	6	33
Egypt	20.1	44.7	29.9	66.4	63.8	65.1	44.0	7	35
Kuwait	38.8	45.3	41.4	66.1	47.2	56.7	47.5	8	46
Morocco	49.2	49.7	49.4	53.2	56.5	54.8	51.6	9	61
Jordan	55.0	50.3	53.1	49.0	57.6	53.3	53.2	10	68
Iraq	44.3	50.9	47.0	85.7	86.1	85.9	62.5	11	87
Algeria	63.1	49.3	57.6	75.9	71.7	73.8	64.1	12	90
Iran	54.2	51.8	53.3	83.7	84.1	83.9	65.5	13	93
Libya	72.2	39.0	58.9	95.0	92.2	93.6	72.8	14	99
Yemen	69.9	66.6	68.6	98.8	98.7	98.8	80.7	15	103
Global Average	50.0	50.0	50.0	50.0	50.0	50.0	50.0		
Regional Average	47.7	45.4	46.8	59.8	56.6	58.2	51.4		

Note: Scores out of 100; lower score = more attractive market. Source: BMI Infrastructure Risk/Reward Index



Middle East And North Africa - Infrastructure Industry Rewards

	Construction Industry Value	Construction Industry Real Growth	Project Pipeline, % of Industry Value	Industry Rewards
UAE	21.4	89.8	13.6	41.6
Israel	32.0	42.7	50.5	41.7
Saudi Arabia	13.6	80.6	40.8	45.0
Qatar	30.1	97.1	31.1	52.8
Oman	61.2	29.1	10.7	33.7
Bahrain	80.6	17.5	4.9	34.3
Egypt	22.3	23.3	14.6	20.1
Kuwait	70.9	39.8	5.8	38.8
Morocco	57.3	35.9	54.4	49.2
Jordan	92.2	69.9	2.9	55.0
Iraq	37.9	58.3	36.9	44.3
Algeria	28.2	66.0	95.1	63.1
Iran	49.5	87.9	25.2	54.2
Libya	88.3	30.1	98.1	72.2
Yemen	96.1	57.3	56.3	69.9
Global Average	50.0	50.0	50.0	50.0
Regional Average	52.1	55.0	36.1	47.7

Note: Scores out of 100; lower score = more attractive market. Source: BMI Infrastructure Risk/Reward Index



Middle East And North Africa - Infrastructure Country Rewards

	GDP Per Capita	Population	Urban Population, % of Total	Population Growth	GDP Per Capita Growth	Country Rewards
UAE	16.5	60.2	21.4	24.3	38.8	32.2
Israel	18.4	65.0	10.7	29.1	50.5	34.8
Saudi Arabia	28.2	42.7	22.3	20.4	52.4	33.2
Qatar	6.8	91.3	3.9	28.2	35.9	33.2
Oman	38.8	78.6	34.0	8.7	97.1	51.5
Bahrain	30.1	98.1	1.5	25.2	84.5	47.9
Egypt	75.7	10.7	82.5	26.2	28.2	44.7
Kuwait	27.2	84.5	1.5	34.0	79.6	45.3
Morocco	70.9	35.0	62.1	49.5	31.1	49.7
Jordan	76.7	59.2	6.8	21.4	87.4	50.3
Iraq	68.9	29.1	50.5	13.6	92.2	50.9
Algeria	64.1	30.1	39.8	36.9	75.7	49.3
Iran	58.3	14.6	38.8	54.4	93.2	51.8
Libya	50.5	71.8	17.5	37.9	17.5	39.0
Yemen	100.0	38.8	84.5	9.7	100.0	66.6
Global Average	50.0	50.0	50.0	50.0	50.0	50.0
Regional Average	48.7	54.0	31.8	28.0	64.3	45.4

Note: Scores out of 100; lower score = more attractive market. Source: BMI Infrastructure Risk/Reward Index



Middle East And North Africa - Infrastructure Industry Risks

	Infrastructure Competitive Landscape	Construction - Timeliness	Construction - Contracts	Legal Environment	Labour Market Risk	Industry Risks
UAE	28.2	16.5	47.6	22.3	5.8	24.1
Israel	66.5	61.2	42.7	21.4	10.7	40.5
Saudi Arabia	28.2	77.7	34.0	27.2	17.5	36.9
Qatar	4.4	79.6	67.0	23.3	6.8	36.2
Oman	66.5	89.3	10.7	24.3	33.0	44.8
Bahrain	49.0	69.9	22.3	33.0	32.0	41.3
Egypt	28.2	74.8	82.5	58.3	88.3	66.4
Kuwait	66.5	95.1	68.9	42.7	57.3	66.1
Morocco	28.2	55.3	62.1	44.7	75.7	53.2
Jordan	66.5	38.8	59.2	35.0	45.6	49.0
Iraq	66.5	97.1	98.1	71.8	95.1	85.7
Algeria	91.3	72.8	76.7	57.3	81.6	75.9
Iran	97.1	62.1	80.6	93.2	85.4	83.7
Libya	97.1	100.0	99.0	100.0	78.6	95.0
Yemen	97.1	99.0	100.0	98.1	100.0	98.8
Global Average	50.0	50.0	50.0	50.0	50.0	50.0
Regional Average	58.7	72.6	63.4	50.2	54.2	59.8

Note: Scores out of 100; lower score = more attractive market. Source: BMI Infrastructure Risk/Reward Index



Middle East And North Africa - Infrastructure Country Risks

	Long-Term Economic Risk Index	Short-Term Economic Risk Index	Political Risk Index	Operational Risk Index	Country Risks
UAE	35.9	19.4	31.1	12.6	23.8
Israel	1.9	1.9	38.8	25.2	22.0
Saudi Arabia	13.6	13.6	40.8	28.2	27.5
Qatar	35.0	44.7	20.4	24.3	28.2
Oman	46.6	46.1	32.0	32.0	36.8
Bahrain	78.6	88.8	50.5	23.3	52.5
Egypt	65.0	84.5	57.3	59.2	63.8
Kuwait	55.3	57.3	36.9	48.5	47.2
Morocco	73.8	70.9	43.7	53.4	56.5
Jordan	90.3	92.2	34.0	47.6	57.6
Iraq	83.5	66.0	93.2	90.3	86.1
Algeria	68.9	81.6	62.1	77.7	71.7
Iran	89.3	87.4	85.4	78.6	84.1
Libya	88.3	80.6	95.1	97.1	92.2
Yemen	97.1	99.0	98.1	100.0	98.7
Global Average	50.0	50.0	50.0	50.0	50.0
Regional Average	61.6	62.3	54.6	53.2	56.6

Note: Scores out of 100; lower score = more attractive market. Source: BMI Infrastructure Risk/Reward Index



Regional Overview

MENA Construction Outlook: Contraction In 2026 Amid Conflict

Key View

- We now expect that construction GVA in the MENA region will contract in real terms by 3.3% in 2026, as the US-Iran conflict and its impacts weigh on construction activity in the region.
- Underpinning our outlook, we highlight four primary transmission mechanisms through which the US-Iran conflict is impacting MENA construction: attack-related interruptions, supply chain disruptions, weakened public investment capacity and diminished private sector demand.
- Continued uncertainty in the region poses downside risks to our forecasts, with significant potential for further downward revisions if a preliminary agreement is delayed beyond June 2026 or if the conflict escalates.
- Among MENA countries, North African countries will outperform for growth in 2026, given more moderate impacts from the US-Iran conflict than in Israel, Iran, Iraq and most GCC countries.

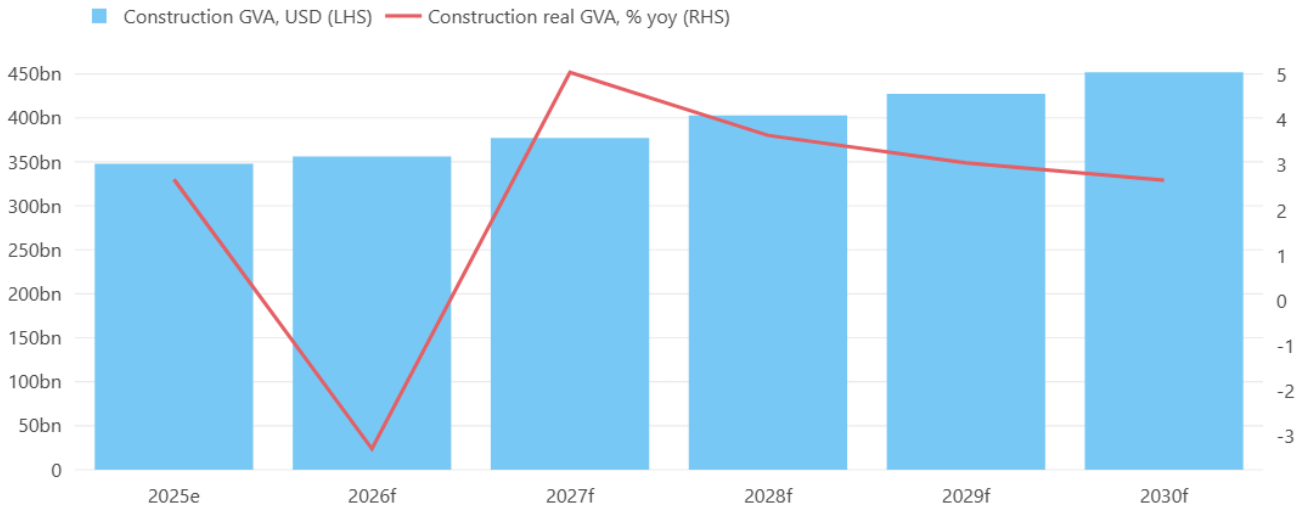
We now expect that construction gross value added (GVA) in the Middle East and North Africa (MENA) region will contract in real terms by 3.3% in 2026, as the US-Iran conflict and its impacts weigh on construction activity in the region. This marks a reduction from the forecast of 3.2% growth prior to the start of the conflict and will come after estimated growth of 2.7% in 2025.

This outlook reflects our Country Risk team's current scenario for the conflict, which anticipates that the US and Iran will reach a preliminary agreement by the end of June 2026, allowing for an end to hostilities and a partial opening of the Strait of Hormuz. Under this scenario, key factors weighing on construction such as conflict risk and trade disruptions will ease over the short term, though notably it will take at least several months for shipping traffic through the Strait of Hormuz to normalise. Under our core scenario, we still expect most of the impacts to be largely contained within 2026 with limited spillover into 2027. As such, we forecast a strong rebound for MENA construction, with real construction GVA to grow by 5.1% in 2027, following a normalisation of trade and investment in H2 2026. Over the medium term, we forecast annual average real growth of 3.1% between 2028 and 2030, reflecting the region's robust underlying drivers of construction growth.



Conflict Driving Sharp Regional Slowdown

MENA - Construction GVA, USDbn value & Real Growth Rate, % (2025-2030)



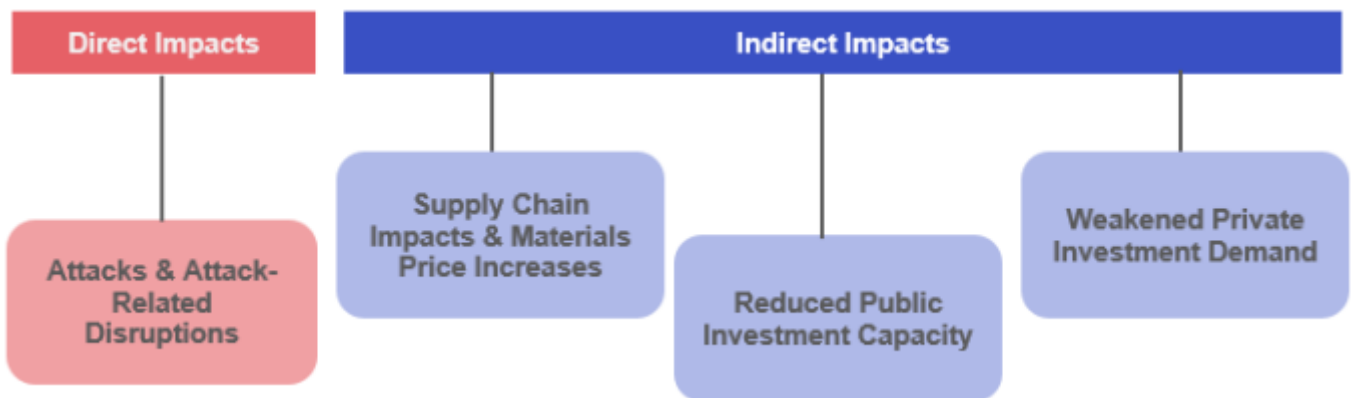
Notes: e/f = BMI estimate/forecast
Source: National sources, BMI



Underpinning our outlook, we highlight four primary transmission mechanisms through which the US-Iran conflict is impacting MENA construction: attack-related interruptions, supply chain disruptions, weakened public investment capacity and diminished private sector demand. Our most recent forecast revisions largely reflect the impact of attack-related disruptions at construction sites during the early weeks of the conflict, including direct attacks on project sites as well as disruptions due to safety measures taken in response to nearby strikes or the risk of strikes. Such disruptions were particularly acute up to the announcement of a ceasefire between the US and Iran on April 8 and have since eased. In terms of countries, we estimate that such impacts have been most significant in Iran, Israel, Qatar, Kuwait and Bahrain, with notable impacts as well in the UAE and Iraq and, to a lesser extent, in Saudi Arabia and Oman. While all construction project types have been impacted, energy and transport infrastructure projects appear to have been most acutely affected.

Downside Risks To Extend Beyond Conflict Resolution

US-Iran Conflict Construction Sector Transmission Mechanisms



Source: BMI

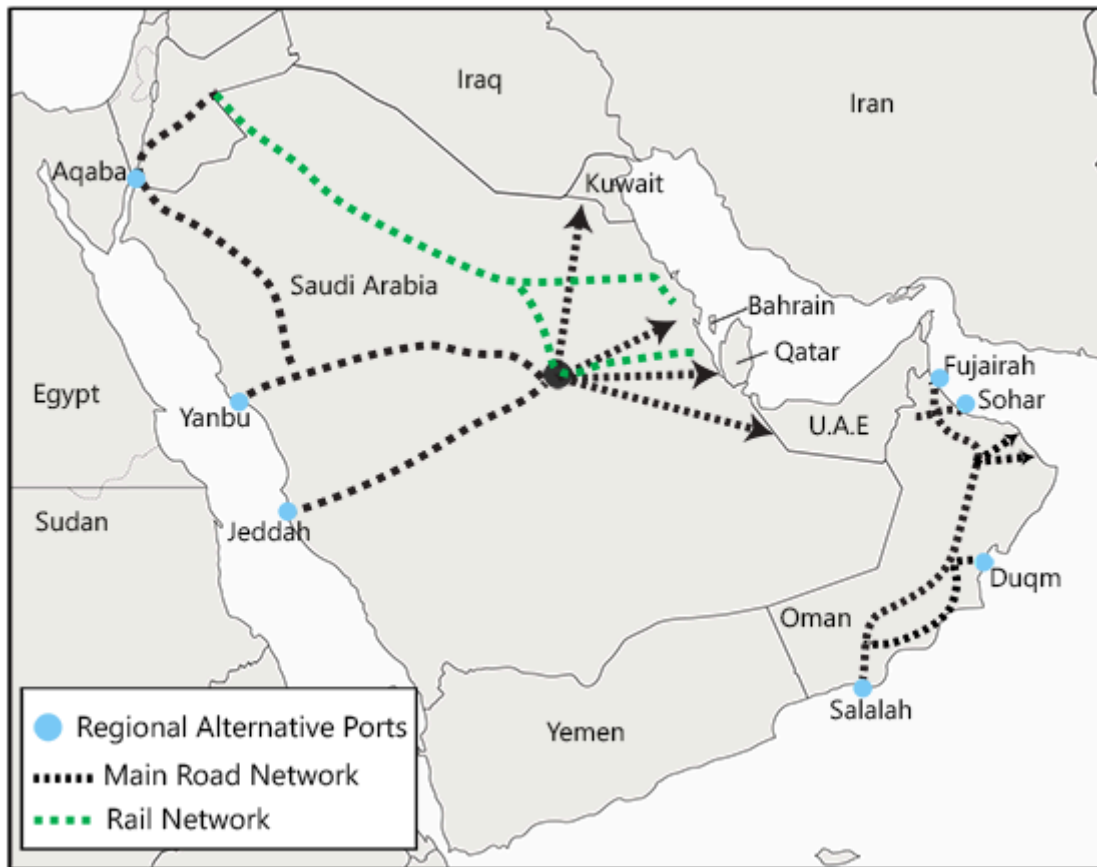


Supply chain disruptions resulting from the de facto closure of the Strait of Hormuz also weigh on construction, leading to higher construction input prices across the MENA region as well as availability challenges, most acutely in countries which rely on the Strait of Hormuz for imports including Iran, Iraq and most Gulf Cooperation Council (GCC) countries. As opposed to the attack-related interruptions which have considerably reduced in the short term, the impact of supply chain disruptions is growing, as the continued closure of the Strait of Hormuz worsens shortages and higher prices of construction materials and other construction inputs increasingly impact projects across the region.

While force majeure provisions in construction contracts in the region have reportedly not been widely invoked to date, risks of such moves and related disruptions to construction projects are high as supply chain challenges and higher input prices raise pressure on construction firms. Further, we anticipate that construction input cost inflation will persist well into H2 2026, as the full inflationary impact will be felt with a lag, with particularly sticky inflation for materials such as concrete and steel due to their energy-intensive production methods and reliance on imported metals ores.

Alternative Routes Can Not Match Hormuz Shipping Capacity

Persian Gulf - Alternative Routes



Source: Hapag-Lloyd, MSC, Drewry, BMI



Weakened public investment capacity due to the conflict also stands as a challenge to construction activity in the region. While GCC countries largely benefit from considerable fiscal headroom and deep sovereign wealth fund capacity, uncertainty regarding public revenue generation will, to varying degrees, place select countries under pressure – with Bahrain, Qatar, Iraq and Iran among the most exposed countries in the region – as governments balance industry and household support measures against previously implemented capital expenditure plans. As such, we expect that select countries will largely prioritise strategically important projects and cut back on additional spending in favour of maintaining fiscal discipline. That being said, we note that countries in the North Africa and Levant regions possess significantly less budgetary flexibility and therefore stand to be at greatest risk. Egypt stands among the most exposed due to its large construction industry, reliance on energy imports and high debt-to-GDP levels by regional standards.

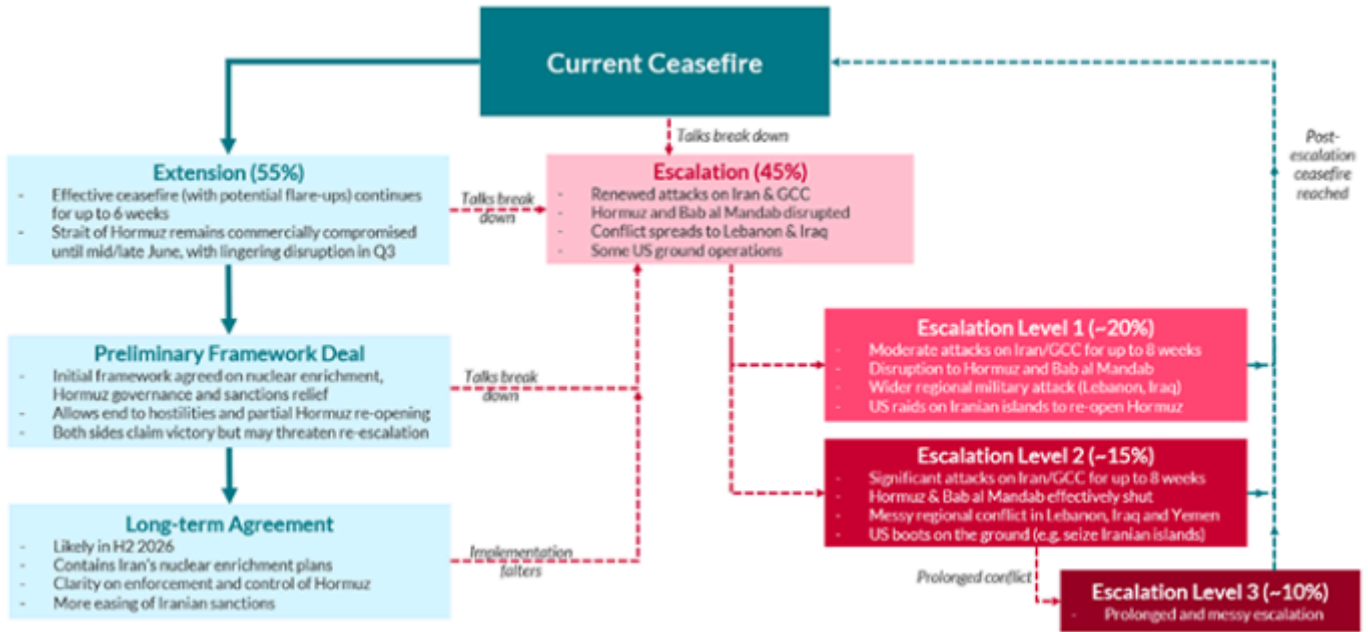
Finally, in parallel with headwinds to public spending capacity, demand uncertainty and inflationary pressures, we see an elevated risk for private sector investment. While this can be largely applied to countries across the region, risks are particularly acute for countries in which foreign investment plays a significant role in infrastructure development. Despite maintaining a significant amount of export volume capacity, and benefitting from a favourable commodity price environment, the UAE faces considerable downside risk beyond our forecast of a 6.8% contraction for the country's construction GVA. This largely reflects our expectation that demand for tourism infrastructure will be slow to rebound relative to other industries and that, in turn, private sector investment in hospitality and tourism infrastructure, accounting for a material share of UAE construction activity, will likely remain subdued for longer than in more domestically driven countries. As data availability for infrastructure countries is often limited in the region, broader financial market indicators can provide a useful signal of perceived market risk and sentiment. The UAE has experienced the greatest pull-back in equity valuations among GCC countries since the onset of the conflict, reflecting the prevalence on highly mobile foreign capital present in the market and a more dramatic shift in risk perception relative to GCC peers. We expect that this will hold in terms of infrastructure development, as investors are likely to adopt a cautious stance to project delivery over the coming months.

Continued uncertainty in the region poses downside risks to our forecasts, with significant potential for further downward revisions if a preliminary agreement is delayed beyond June 2026 or if the conflict escalates. As noted above, our Country Risk team anticipates that a preliminary agreement will be reached between the US and Iran in June 2026. Nevertheless, if this is not achieved and the agreement is delayed into July 2026 or beyond, this would in turn delay the reopening of the Strait of Hormuz, further extending supply chain disruptions and other related impacts into H2 2026. At the same time, we also note considerable risk that the conflict escalates (45% probability), bringing with it further security risks to ongoing construction projects and a prolonged and severe impact on investment. As such, both potential scenarios would likely see a more pronounced contraction of construction activity in the region in 2026 than currently expected, and also potentially greater spillover effects into 2027. Despite a notable increase in the frequency and intensity of recent US-Iran flare-ups, at time of writing on June 10 2026, our Country Risk team maintains its base case that a primary agreement will be reached by mid-to-late June, with some indication that recent exchanges may slow diplomatic momentum, causing negotiations to extend into July.



Conflict Outlook Remains Highly Uncertain

US-Iran Conflict Extension/Escalate Scenario Tree



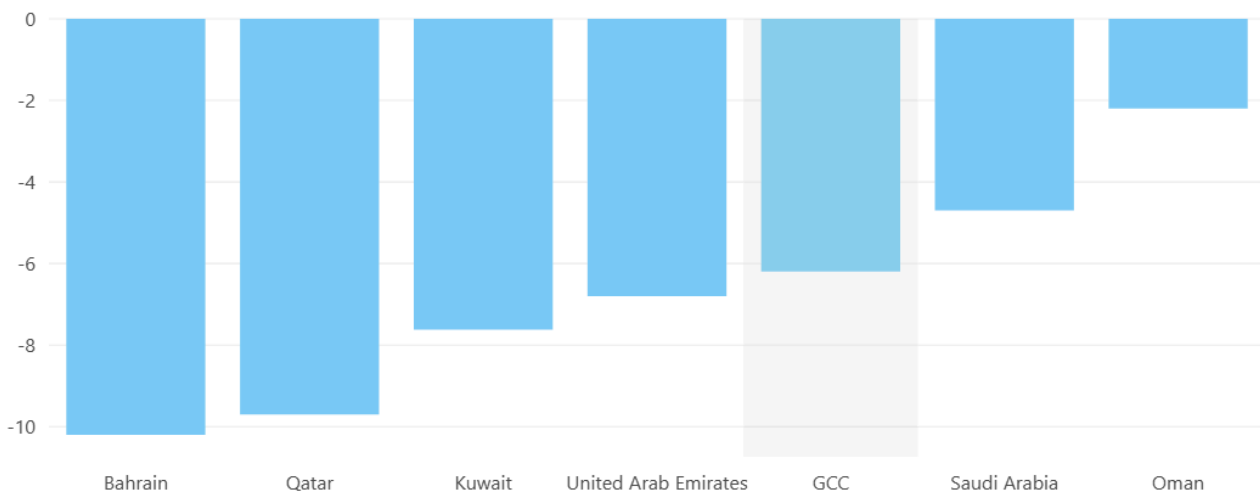
Source: BMI

Among MENA countries, North African countries will outperform for growth in 2026, given more moderate impacts from the US-Iran conflict than in Israel, Iran, Iraq and most GCC countries.

The absence of direct attacks and continued access to global trade networks mean that North African countries have been largely shielded from the most acute effects of the US-Iran conflict. While construction input cost inflation remains a significant threat to industry activity in these countries, we maintain our view that the sub-region's countries will outperform the regional growth figure, given the overall more limited impact of the US-Iran conflict. We forecast that North Africa construction GVA will grow by 2.2% in 2026, down from growth of 3.6% in 2025.

Trade Resilience Key To Oman And Saudi Arabia's Outperformance

GCC Markets - Construction GVA Real Growth Rate, % (2026f)



Notes: f = BMI forecast
Source: National sources, BMI





Conversely, we expect significant contractions among most GCC countries as well as in the cases of Iran and Iraq due to the greater impact across these countries of the transmission mechanisms noted above. Of all countries, we expect the sharpest contraction in Iran, with the country's construction GVA to contract in real terms by 22.9% in FY2025/26, ending in March 2026, and by a further 11.2% in FY2026/27. This will be followed by Bahrain, Qatar and Kuwait, with contractions of 10.2%, 9.7% and 7.6% respectively in 2026. For the UAE, we forecast a contraction of 6.8% while we forecast that Saudi Arabia's construction industry will contract by 4.7%. Overall, we forecast that GCC construction GVA will contract by 6.2% in 2026, down from growth of 6.1% in 2025.

Within the GCC, we do note the relative outperformance of Oman, with the market expected to contract by only 2.2% in 2026. Despite being subject to sporadic Iranian missile and drone activity since the onset of the US-Iran conflict, Oman has experienced significantly less disruption than its GCC neighbours, due to fewer direct attacks as well as Oman's unrestricted access to sea lanes which has allowed it to maintain exports and benefit from higher energy prices.

Given base effects, we expect GCC countries to broadly outperform the MENA region overall in 2027, with GCC construction GVA to rise in real terms by 6.0% and then moderate with average annual real growth of 2.5% between 2028 and 2030.

Key MENA Markets - Construction GVA Real Growth Forecast

Geography	2025e	2026f	2027f	2028f	2029f	2030f	Average (2026-2030)
Egypt	4.1	0.4	4.9	6.4	6.2	6.3	4.8
Morocco	4.6	4.2	3.6	3.8	3.9	3.7	3.9
Israel	10.4	2.5	4.1	3.5	3.4	3.1	3.3
Oman	2.1	-2.2	3.1	4.4	4.1	4.0	2.7
Bahrain	5.0	-10.2	7.2	5.4	5.6	5.1	2.6
Kuwait	7.4	-7.6	9.5	5.1	3.4	2.5	2.6
Algeria	3.2	2.8	2.6	2.4	2.3	2.2	2.5
Iran	-22.9	-11.2	8.3	6.8	4.9	3.5	2.5
Jordan	1.4	2.7	2.9	2.3	1.9	1.9	2.3
Iraq	1.9	0.1	2.7	2.9	2.9	2.9	2.3
Saudi Arabia	4.3	-4.7	4.8	3.1	2.3	1.9	1.5
UAE	7.8	-6.8	7.4	2.9	1.9	1.4	1.4
Qatar	8.8	-9.7	6.7	3.5	2.4	1.3	0.8

e/f = BMI estimate/forecast. Source: National sources, BMI



Industry Trend Analysis

US-Iran Conflict Compounds Headwinds To Egypt Construction

Key View

- We have revised down our growth forecast for Egypt's construction industry for FY2025/26 and FY2026/27, reflecting a weaker-than-expected performance in the first half of the current fiscal year and a deteriorating investment environment due to the US-Iran conflict.
- Despite the near-term weakening of growth, we maintain a favourable outlook for Egypt's construction industry over the medium-to-long term.
- Risks to our near-term outlook for Egypt's construction industry are largely skewed to the downside.

We have revised down our growth forecast for Egypt's construction industry for FY2025/26 and FY2026/27, reflecting a weaker-than-expected performance in the first half of the current fiscal year and a deteriorating investment environment due to the US-Iran conflict. With the sector contracting by 0.3% y-o-y in the first half of the fiscal year (Jul-Dec 2025), we now anticipate that construction activity will remain subdued through the second half of the fiscal year and into the following fiscal year, as both structural and exogenous pressures weigh on project delivery and investment appetite.

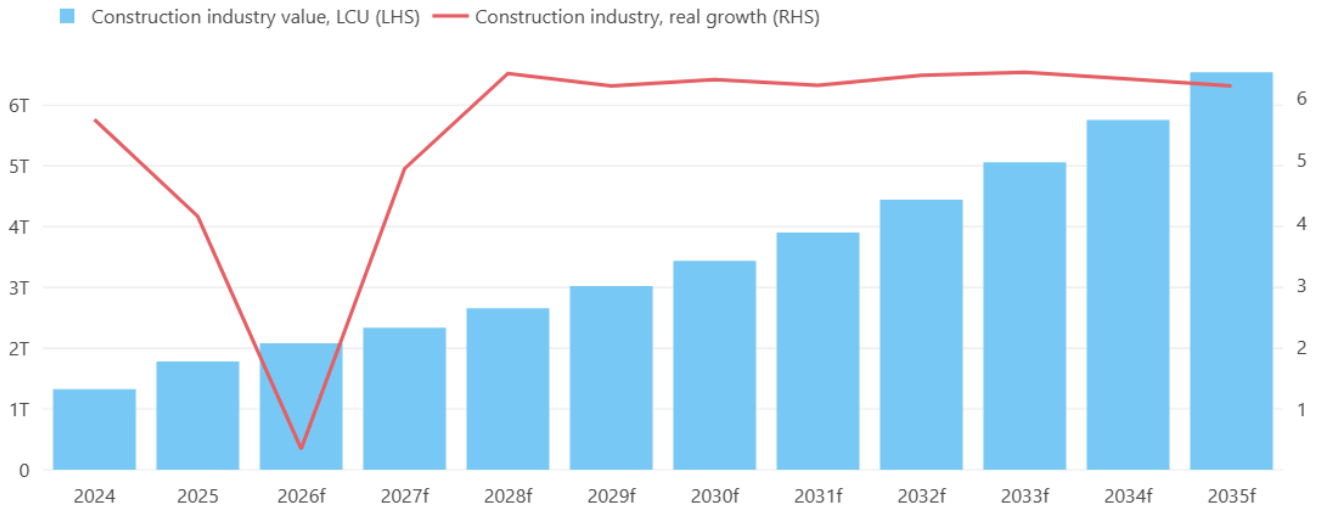
We now forecast that Egypt's construction industry will grow in real terms by 0.4% and by 4.9% in FY2025/26 and FY2026/27 respectively, down from our previous forecasts of 5.6% and 6.6%. This is a marked departure from the industry's performance across FY2024/25, during which the industry saw real growth of 4.1%.

The downturn in H1 2025/26 was driven by a confluence of high financing costs, persistent inflationary pressures on construction materials, and a strategic recalibration of state-led infrastructure projects. Elevated interest rates, remaining above 20%, and rising input costs for imported steel and cement, exacerbated by energy subsidy reforms, weighed heavily on sector margins. The VAT amendment, raising rates from 5% to 14%, improved fiscal neutrality but further tightened liquidity for developers. Meanwhile, labor shortages, driven by skilled workers migrating to Gulf markets, pushed up wages, while private sector investment retreated amid affordability concerns and a sluggish economic environment. Additionally, the industry is seeing the implications of the government's reprioritisation of spending towards debt management in line with its IMF-mandated goal of shrinking the public sector's footprint in favour of private participation. This has created a meaningful investment gap in Egypt's construction industry, with activity historically reliant on a combination of state-directed infrastructure spending and large-scale public development projects.



US-Iran Conflict To Weigh Further On Egypt Construction

Egypt - Construction Industry Value, EGP & Real Growth, y-o-y % (2024-2035)



Notes: f = BMI forecast
Source: MPED, BMI

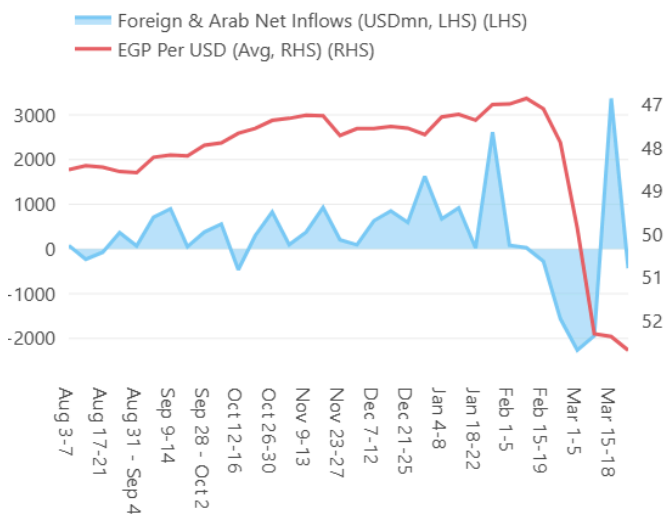


We expect this challenging environment will persist through the second half of FY2025/26, with the outbreak of the US-Iran conflict having emerged as an additional headwind to Egypt's construction industry, weighing on our near-term construction outlook further. Elevated energy prices and supply chain disruptions have exacerbated inflationary challenges facing construction in Egypt while we have also seen a weakening of regional investor sentiment. Despite the April 7 announcement of a two-week ceasefire between the US and Iran, we anticipate that these factors will continue to weigh on the industry over the coming months, as energy prices and supply chains will take time to normalise and foreign direct investment (FDI), including in Gulf-backed megaprojects, is likely to face further delays, as regional uncertainty prompts investors to reassess risk exposure and liquidity needs.

Conflict Triggering Risk-Off Sentiment In Egypt

Geopolitical Uncertainty Drives Volatility In Portfolio Inflows

Egypt - Net Foreign Inflows To Secondary Market, USDm

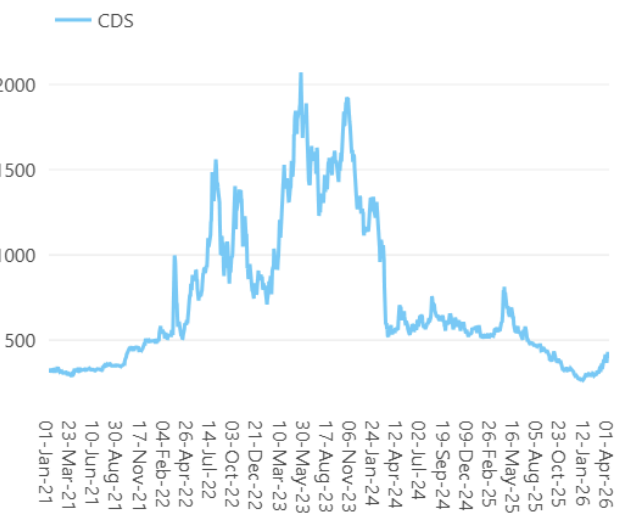


Source: EGX, Haver, BMI



Risk Perception Is Weakening, But Remain Well Below 2023 Levels

Egypt - 5-Year Credit Default Swaps



Source: Haver, BMI





Despite the near-term weakening of growth, we maintain a favourable outlook for Egypt's construction industry over the medium term. Structural fundamentals, including a rapidly growing population, ongoing urbanisation and the government's commitment to infrastructure development, will help to support an uptick of growth in FY2026/27 and robust industry growth over the following years. Large-scale projects such as the New Administrative Capital, Ras El Hekma coastal city and expansions in industrial and logistics zones are set to underpin sector growth and attract both domestic and foreign investment.

We expect robust FDI flows, particularly from Gulf partners, to continue supporting major project pipelines, with the government prioritising substantial investments in housing, renewable energy and transport infrastructure. The persistent housing deficit, coupled with government incentives for affordable housing schemes and ongoing industrial investments in economic zones, further underpins our positive medium-term view on sector growth. The construction of new transport links and energy infrastructure will be critical in supporting Egypt's broader economic diversification and urbanisation agenda, with knock-on benefits for employment and supply chain development.

Over the medium term, we expect construction activity to rebound, with annual average real growth of 6.00% between FY2027/28 and FY2030/31 as financing conditions stabilise and project momentum resumes. However, the precise timing and strength of the recovery will depend in part on the duration and intensity of ongoing regional conflict.

Risks to our outlook for Egypt's construction industry are largely skewed to the downside, particularly over the near term. While a ceasefire has been announced in the US-Iran conflict, its durability is uncertain, with a considerable risk of re-escalation. Egypt would be particularly exposed in such a case due to its role as an energy importer and a trade hub, with any re-escalation likely to drive further portfolio outflows, accelerate currency depreciation and lift energy prices, all of which would deteriorate Egypt's current account balance and constrain public investment in infrastructure. Even in the absence of direct security threats, weaker tourism, reduced Suez Canal revenues and softer Gulf Cooperation Council inflows would further undermine construction activity, especially for foreign-financed and private sector projects.

On the fiscal side, higher subsidy spending and elevated interest rates are set to drive Egypt's fiscal deficit higher, necessitating further fiscal consolidation and potentially postponing or suspending state-led infrastructure spending.



US-Iran Conflict: Infrastructure Assets Across Region At Risk Of Attack And Disruptions

Key View

- The outbreak of conflict between the US/Israel and Iran on February 28 has created significant risks of damage and disruption to infrastructure assets and networks most notably in Iran, but to a lesser extent also in other countries in the region including Israel, Lebanon and the GCC.
- We anticipate the conflict will also weigh on infrastructure development and construction within the Middle East over the short term, with a collapse of construction activity in Iran and a weakening elsewhere driven by conflict-related disruptions and a softening of investor sentiment.
- While much less severe, construction markets globally could also see implications from the ongoing conflict, namely cost pressures, supply chain disruptions and, in the event of a prolonged conflict, potential economic spillover effects.

Infrastructure Assets A Key Target In Escalating Conflict

The outbreak of conflict between the US/Israel and Iran on February 28 has created significant risks of damage and disruption to infrastructure assets and networks most notably in Iran, but to a lesser extent also in other countries in the region including Israel, Lebanon and the Gulf Cooperation Council (GCC). [On February 28, the US and Israel launched a large-scale military campaign against Iran, targeting the regime's leadership as well as military and security infrastructure.](#) Developments so far align with our Country Risk team's expectations under the second of three scenarios laid out for the conflict (Scenario 2: Short-Lived, Large Campaign, But With Greater Regional Spillover, Partial Hormuz Disruption), with risks skewed towards even larger spillovers and disruption of traffic through the Strait of Hormuz (Scenario 3). Under this scenario, our Country Risk team anticipates the war to last several weeks as the US and Israel view it as the final war with the Iranian regime, though without ruling out pauses in between to reassess or perhaps give room for popular uprising to stretch the regime. Our Country Risk team identifies the most likely outcome of the war as a regime reconfiguration, paving the way for an Islamic Revolutionary Guard Corps/military figure or a reformist backed by defectors to take power. Nevertheless, uncertainty around both the duration and the outcome of the conflict remains high.

US-Iran Conflict Scenarios

Scenario 1: Decisive, Short-Lived, Large Campaign With Contained Regional Spillovers	The US will seek a short, large-scale campaign coordinated with Israel to overwhelm Iranian defences and minimise retaliation against US assets, Strait of Hormuz shipping and the broader region. Targets would also include senior leadership figures to alter the set of actors with whom the US negotiates or achieve a significant reconfiguration of the regime.
Scenario 2: Short-Lived, Large Campaign, But With Greater Regional Spillover, Partial Hormuz Closure	If Scenario 1 fails due to operational mistakes by the US or more forceful Iranian retaliation than anticipated, we would expect the US to intensify attacks on regime assets and infrastructure. In response, Iran would sustain its strikes on US regional assets and escalating tensions by partially disrupting shipping in the Strait of Hormuz. We would not rule out a ceasefire to prevent events from spiralling out of control.
Scenario 3: Prolonged, Large-Scale Campaign, Greater Regional Spillover, Partial/Full Hormuz Closure	The longer Scenario 2 persists, the more likely we transition to Scenario 3. Given the asymmetry in both sides' military capabilities, in an existential scenario, Iran could choose to concentrate large-scale missile fire against a limited number of targets. We would also expect greater oil market disruption as Tehran attempts a partial or prolonged full closure of the Strait of Hormuz.

Source: BMI



Infrastructure assets have been a key target of damage over the first several days of the conflict, a trend in our view likely to persist as long as the conflict endures. This includes most notably within Iran, as the US and Israel have launched massive attacks on Iranian infrastructure as part of their broader military campaign. US officials have indicated that over 1,000 targets were struck in Iran within the first 24 hours of the conflict alone. Reports of targets hit by the US and Israel since the start of the conflict have included numerous military infrastructure assets including air defence installations, missile sites and military headquarters, as well as port and naval facilities. We anticipate infrastructure will remain a key target of US and Israeli attacks in the country, including all types of critical infrastructure, ranging from military bases to targeted attacks on Iran's nuclear facilities similar to those seen in June 2025.

While to a much lesser degree, other countries in the region are also experiencing considerable damage to their infrastructure. This includes Israel, which has reportedly seen Iranian retaliatory attacks on military bases, army headquarters, its Tel Nof Airbase and a large defence industrial complex in Tel Aviv.

It also extends to countries not directly participating in the conflict, including GCC markets. Already we have seen attacks by Iran on the UAE, Saudi Arabia, Bahrain, Qatar and Kuwait. While US military bases have been a primary target of Iranian attacks in these markets, we also expect to see a growing impact on civilian infrastructure, both as a result of collateral damage and increasingly of direct Iranian attacks, such as efforts to damage oil refineries. While some of these Iranian drone strikes in the region have been intercepted, key infrastructure has nonetheless been hit by falling debris, as was the case in Dubai's Jebel Ali Port and the international airport. The conflict has in fact severely disrupted the region's aviation network, with approximately 3,000 flights cancelled and other major airport infrastructure hubs in the region, including Abu Dhabi, Doha and Kuwait airports, closed or restricted. Digital infrastructure has also been affected, with reports of an Amazon Web Services data centre in Dubai being hit.

Additionally, recent Iranian attacks have increasingly targeted energy infrastructure, with Saudi Arabia's Ras Tanura refinery and Qatar's Ras Laffan LNG complex both being targeted by drone strikes, resulting in pauses in production in these facilities. Gas fields and oil refineries in Iraq, Kuwait and Israel have also carried out pre-emptive shut downs.

We note that the risk of further damage to critical and civilian infrastructure is elevated, particularly as Iran continues to leverage its drone capabilities and proxy groups. In the near term, additional disruptions to infrastructure beyond US and Israeli military bases are likely, particularly oil refineries across the Gulf.

We note that Lebanon is also seeing growing risk of infrastructure damage, amid an escalation of tensions between Hezbollah and Israel.

Conflict To Weigh On Construction Across Middle East Region

We anticipate the conflict will also weigh on infrastructure development and construction within the Middle East over the short term, with a collapse of construction activity in Iran and a weakening elsewhere driven by conflict-related disruptions. Given the scale of the ongoing military campaign by the US and Israel in Iran, we anticipate that construction activity in Iran will largely ground to a halt while the campaign persists, with an increasingly high likelihood of a sharp contraction of the country's construction activity in 2026. This will be particularly acute in Tehran and other large cities which have been subject to extensive US and Israeli attack, amid elevated security risks, workforce displacement, the collapse of supply chains and other conflict-related disruptions. This will come as the country's construction industry is already in a challenging state, following years of weakening amid sanctions and weak investor sentiment which weighed considerably on investment, construction activity and economic growth more broadly.

Beyond the eventual end of the ongoing conflict, the outlook for infrastructure development and construction in the market is highly uncertain, given a lack of clarity around both the scale of damage to be inflicted by the conflict as well as the country's political direction beyond its completion. Under the scenario of a regime reconfiguration, our Country Risk team does identify the potential for a new leadership to engage with the US as well as the possibility that it could make substantial domestic reforms in terms of social policy and governance. Nevertheless, any sanctions relief would be gradual and dependent on strict compliance



while the risks of internal instability would remain high. We anticipate that, once the conflict concludes, a significant reconstruction effort will be required due to the extensive damage sustained by Iran's critical infrastructure.

While we anticipate that the short-term impact of the conflict on infrastructure development and construction in Iran will be most acute, we note significant implications elsewhere in the region, including in Israel and in GCC markets. Though less severe than in the case of Iran, the impacts on these markets will have greater weight on the overall trajectory of construction activity in the region, given the collective size of these markets, with Israel accounting for 8% of the Middle East and North Africa (MENA) construction market in US dollar terms as of 2025 and GCC markets collectively 56%.

The most immediate impacts of the conflict on construction in these markets will be worksite disruptions related to the conflict, which could range from stoppages due to direct security risks to more indirect effects such as due to restrictions on local transportation or energy networks. We also note the likelihood that disruptions to maritime and air freight will cause shortages and price volatility of construction materials and equipment needed to support the progression of infrastructure and building projects, generating further challenges for construction projects. This in particular will likely have an extended impact due to the increased shipping risk premium and insurance costs that will take time to normalise, even in the event of a near-term de-escalation of conflict.

If the conflict were to progress beyond several weeks, we also note an increasing risk of shifts in public spending on infrastructure and building projects within the region amid a greater prioritisation by governments of defence spending and potential negative impact on revenues particularly in the GCC of reduced oil and gas exports. We believe risks to this will be significantly exacerbated under a scenario of a prolonged conflict, or in the case of GCC markets if we see GCC countries become direct participants in the conflict. Under such scenarios, the need to boost defence spending and uncertainty regarding hydrocarbon revenue would likely encourage a more cautious approach over the short term toward spending elsewhere, with governments prioritising liquidity and fiscal buffers. This would prove to be considerably impactful, since the GCC has previously buoyed the regional construction market through public development programmes and significant sovereign wealth fund involvement. A prolonged conflict would likely weigh on private infrastructure investment as well, as a tightening of lending conditions and elevated uncertainty undermine investor confidence in launching new projects. In this context, delays of new project launches would be likely, weighing on project activity even after an eventual end of the conflict. At the time of writing, damage sustained to critical infrastructure in the GCC has been contained, relative to that in Iran, with the region's key energy and transport infrastructure serving as a focal point of Iranian strikes. We expect that reconstruction throughout the Gulf will be expedited once the conflict concludes, with energy and transport infrastructure likely to be prioritised.

Given these factors, we see rising downside risk to our outlook for construction industry real growth in the MENA region. Currently, we forecast regional construction activity real growth of 3.3% in 2026 and 2.9% in 2027, stabilising at 2.9% through to 2030. We will, however, continue to monitor the conflict over the coming days, and adjust our market and regional forecasts accordingly.



Key MENA Markets - Construction Industry Value Real Growth Forecast

	2025e	2026f	2027f	2028f	2029f	2030f	Average 2026f-2030f
Egypt	4.1	5.6	6.6	6.4	6.2	6.3	6.2
Oman	2.8	4.4	4.6	4.5	4.1	4.0	4.3
Israel	6.2	7.5	3.5	3.4	3.3	3.1	4.2
Morocco	4.6	4.2	3.6	3.8	3.9	3.7	3.9
Iraq	1.9	2.3	2.9	2.9	2.9	2.9	2.8
Algeria	3.2	2.8	2.6	2.4	2.3	2.2	2.5
Jordan	1.4	3.1	2.8	2.2	1.9	1.9	2.4
Saudi Arabia	3.1	2.7	2.2	2.0	1.9	1.9	2.1
Qatar	3.4	2.0	1.9	1.5	1.2	1.2	1.6
UAE	5.6	2.1	1.6	1.4	1.4	1.2	1.5
Iran	-7.2	-2.5	0.9	2.4	2.7	3.0	1.3

e/f = BMI estimate/forecast. Source: National sources, BMI

Headwinds For Construction Globally As Well

While much less severe, construction markets globally could also see implications from the ongoing conflict, namely cost pressures and supply chain disruptions and, in the event of a prolonged conflict, potential economic spillover effects. Higher oil and gas prices over the short term will create upward cost pressures for construction projects and construction materials globally, a significant factor given the relatively high energy intensity of construction as well as building materials production. At the same time, we also note potential supply chain disruptions due to logistics disruptions. While this will impact markets within the GCC and surrounding areas most directly, we also note the potential for implications more broadly, particularly if we see renewed attacks on Red Sea shipping. In the event of a prolonged conflict, we note potential economic spillover effects, as higher energy prices and economic dislocation weigh on economic activity broadly. In emerging markets in particular, higher inflation due to energy prices could also lead to a pause or even reversal of cutting cycles, contributing to a softening of economic activity which would in turn weigh on construction.



Infrastructure Methodology

Connected Thinking

BMI employs a unique methodology known as 'Connected Thinking'. This means that our analysis captures the inter-relatedness of the global economy, and takes into account all of the relevant political, macroeconomic, financial market and industry factors that underpin a forecast and view. We then integrate them so as to explain how they interact and affect each other. Our Connected Thinking approach provides our customers with unique and valuable insight on all relevant macroeconomic, political and industry risk factors that will impact their operations and revenue-generating potential in the industry/industries within which they operate.

We use a transparent forecasting model as a base for our industry forecasts, but rely heavily on our analysts' expert judgement to ensure our forecasts capture all of the insights we derive using our unique Connected Thinking approach. We believe analyst expertise and judgement are the best ways to provide the most accurate, up-to-date and comprehensive insight to our customers.

Infrastructure Methodology

Our data and forecasts capture the entire spectrum of construction activities, including all areas of civil engineering and building construction, as defined under the ISIC Rev.4.

Our data and forecasts for Infrastructure are broken down into: transport (road, rail, ports and airports) and energy & utilities (power plants & transmission grids, water, oil & gas pipelines). Our building data and forecasts are broken down into residential and non-residential construction.

Construction Industry

Construction Industry Value

Our construction data is derived from national accounts from each market's national statistics office (or equivalent) or from international organisations which compile national account data, most notably the UN. Specifically, it measures the gross value added (GVA) of the construction industry over the reported 12-month period in nominal values. GVA (also known as GDP by industry) measures the contribution to overall GDP. The components of value added consist of compensation of employees, taxes on production and imports less subsidies, and gross operating surplus. We source our construction industry value data in nominal local currency terms.

This data is used because it is reported by virtually all markets and can therefore be used for comparative purposes.

Construction Industry Value Real Growth

Our construction industry value forecasts are based on a regression model, using a market's own historical time series and key macroeconomic variables, such as gross fixed capital formation, from BMI Country Risk.

In addition, we will also apply analyst expert judgement to refine and finalise our construction industry value real growth forecast, based on exogenous and endogenous variables or events, not captured by our regression model. Real growth is defined as industry value nominal growth adjusted for industry-specific inflation (construction deflator).



Bearing in mind that other factors need to be taken into consideration, both quantitative and qualitative, our analysts also factor in industry-specific issues in deriving our forecasts:

- Political risk - potential change in leadership, policy continuity
- Regulatory outlook - pricing structures of specific markets, bureaucracy, red tape
- Currency outlook - currency volatility, cost of imports
- Funding availability - fiscal health of the government, openness to private/foreign investment
- BMI Infrastructure Key Projects Data - indication of a market's infrastructure project pipeline by sector
- High Frequency Data – construction permits, starts, confidence etc
- Company developments - reflective of market dynamics and competitive landscape

Construction Industry, % Of GDP/Construction Value (USD)

These are derived indicators, calculated using our Country Risk team's GDP and exchange rate forecasts.

Construction Output

These figures refer to the gross output of the construction industry. Gross output measures the total sales or receipts of the industry, including sales to final users in the economy as well as sales to other industries. Gross output consists of construction industry value and intermediate consumption.

As in the case of construction industry value data, our construction output data is derived from national accounts from each market's national statistics office (or equivalent) or from international organisations which compile national account data, most notably the UN.

Forecasts are the result of a regression model, using a market's own historical time series as well as our construction industry value forecasts.

Construction Intermediate Consumption

These figures refer to the intermediate consumption of the construction industry. Intermediate consumption measures the goods and services employed in the production process of other goods and services and not for final consumption. Intermediate consumption is equivalent to the difference between gross output and GVA.

Our Construction Intermediate Consumption figures are a function of construction output minus construction industry value.

Cement Data

We forecast Portland cement production, consumption and net exports, in millions of tonnes.

Our historical national production data is sourced from the United States Geological Survey (USGS), while trade data is sourced from TradeMap by the International Trade Centre. By calculating production and net exports, we are able to determine historical consumption levels.

These consumption levels are then forecast over our 10-year forecast period using our construction growth forecasts, reflecting the changing demand picture for cement from the industry.



Construction Sector Employment

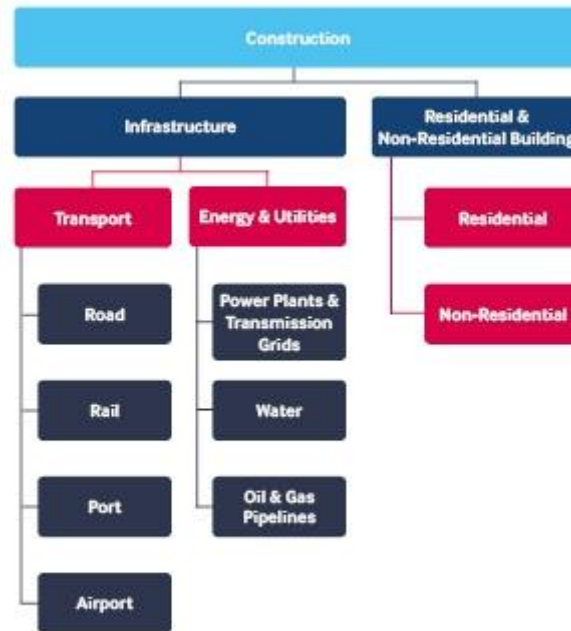
Total Construction Employment

This data is sourced from either the national statistics office or the International Labor Organization. It includes all those employed within the sector.

Our total construction employment forecasts are based on a regression model, using a market's own historical time series and key macroeconomic variables from our Country Risk service.

Infrastructure Data Sub-Sectors

Infrastructure Data Sub-Sectors



Source: BMI

For select markets, in addition to our construction industry value figures, we also provide industry value (gross value added) figures for subsectors of the construction industry.

We use a combination of historic data as reported by central banks, national statistics agencies and other official data sources, and leverage our analysts' knowledge of market and subsector dynamics and project information included in our proprietary BMI Infrastructure Key Projects Data, a comprehensive catalogue of the major power, transport, utilities, residential and non-residential projects in each market.

Given a variation in construction sub-sector classifications under various national accounts systems currently in use, we segment official construction sub-sector data into consistent and proprietary categories to compare industry value across sub-sectors. First, our construction industry data is broken down into infrastructure construction on one hand and residential and non-residential



building construction on the other. Infrastructure construction is then broken down where possible into transport infrastructure and energy and utilities infrastructure, which are then further broken down where possible into the categories illustrated in the figure above. Residential and non-residential building construction in turn is broken down where possible into residential building and non-residential building.

Our infrastructure sub-sectors industry value forecasts are based on a regression model, using a market's own historical time series and key macroeconomic variables, such as fixed capital formation, from our Country Risk service.

In addition, we also apply analyst expert judgement to refine and finalise industry value real growth forecasts, based on exogenous and endogenous variables or events, not captured by our regression model.

The residential and non-residential industry values are a function of construction minus infrastructure industry value. We further rely on national sources and our BMI Infrastructure Key Projects Data to further estimate the separation between the two areas of building when historic data is not available.

Infrastructure Risk/Reward Index

Our Infrastructure Risk/Reward Index (RRI) quantifies and ranks a market's attractiveness within the context of the Infrastructure industry, based on the balance between the **Risks** and **Rewards** of entering and operating in different markets.

We combine industry-specific characteristics with broader economic, political and operational market characteristics. We weight these inputs in terms of their importance to investor decision-making in a given industry. The result is a nuanced and accurate reflection of the realities facing investors in terms of first the balance between opportunities and risk and second between industry-specific and broader market traits. This enables users of the index to assess a market's attractiveness in a regional and global context.

The index uses a combination of our proprietary forecasts and analyst assessment of the regulatory climate. As regulations evolve and forecasts change, so the index scores change providing a highly dynamic and forward-looking result.

The Infrastructure Risk/Reward Index universe comprises **104 markets**.

Benefits Of Using Our Infrastructure RRI

- **Global Rankings:** One global table, ranking all the markets in our universe for Infrastructure from most attractive (closest to zero) to most risk (closest to 100).
- **Accessibility:** Easily accessible, top-down view of the global, regional or sub-regional Risk/Reward profile.
- **Comparability:** Identical methodology across 104 markets for Infrastructure allows users to build lists of markets they wish to compare, beyond the confines of a global or regional grouping.
- **Scoring:** Scores out of 100 with a wide distribution, provide nuanced investment comparisons. The higher the score, the less favourable the market profile.
- **Quantifiable:** Quantifies the Rewards and Risks of doing business in the infrastructure industry in different markets around the world and helps identify specific flashpoints in the overall business environment.
- **Comprehensive:** Comprehensive set of indicators, assessing industry-specific risks and rewards alongside political, economic and operating risks.
- **Entry Point:** A starting point to assess the outlook for the infrastructure industry, from which users can dive into more granular forecasts and analysis to gain a deeper understanding of the market.
- **Balanced:** Multi-indicator structure prevents outliers and extremes from distorting final scores and rankings.
- **Methodology:** The index is a combination of proprietary BMI forecasts, analyst insights and globally acceptable benchmark indicators.



Weightings Of Categories And Indicators

Infrastructure Risk/Reward Index



Source: BMI

The RRI matrix divides into two distinct categories:

Rewards: Evaluation of an industry's size and growth potential (**Industry Rewards**), and macro characteristics that directly impact the size of business opportunities in a specific industry (**Country Rewards**).

Risks: Evaluation of micro, industry-specific characteristics, crucial for an industry to develop to its potential (**Industry Risks**) and a quantifiable assessment of the political, economic and operational profile (**Country Risks**).

Assessing Our Weightings

Our matrix is deliberately overweight on **Rewards** (60% of the final RRI score for a market) and within that, the **Industry Rewards** segment (60% of final Rewards score). This is to reflect the fact that when it comes to long-term investment potential, industry size and growth potential carry the most weight in indicating opportunities, with other structural factors (demographic, labour statistics and infrastructure availability) weighing in, but to a slightly lesser extent. In addition, our focus and expertise in emerging and frontier markets has dictated this bias towards industry size and growth to ensure we are able to identify opportunities in markets where regulatory frameworks are not as developed and industry sizes not as big as in developed markets, but where we know there is a strong desire to invest.



Infrastructure RRI Indicators - Explanation And Sources

	Source	Rationale
Rewards		
<i>Industry Rewards</i>		
Construction Industry Value	BMI Forecast	Size of the construction industry indicates potential for opportunities and scale of operations. USDbn, Five Year Average Forecast.
Construction Industry Value	BMI Forecast	Growth of the construction industry indicates potential for growth in opportunities. Real Growth, % Change y-o-y, Five Year Average Forecast.
Project Pipeline, % of Industry Value	BMI Key Projects Data/BMI Forecast	Size of the project pipeline in the pre- and under-construction phase relative to the construction industry size, indicates the potential for project opportunities, progression of projects through the pipeline and growth of pipeline.
<i>Country Rewards</i>		
GDP Per Capita	BMI Forecast	The wealth of the population indicates demand for infrastructure. USD, Five Year Average Forecast
GDP Per Capita Growth	BMI Forecast	As a population gets richer, we would expect to see greater demand for infrastructure, especially transport. Local Currency, % Change y-o-y, Five Year Average Forecast. Except: Zimbabwe & Venezuela where USD is used.
Population	BMI Forecast	Larger population creates greater demand for infrastructure. Five Year Average Forecast
Population Growth	BMI Forecast	Growth of population necessitates increased infrastructure stock. % Change y-o-y, Five Year Forecast.
Urban Population % Of Total	BMI Forecast	High and growing concentration of population in urban areas indicates greater pressure on infrastructure assets. Five Year Average Forecast.
Risks		
<i>Industry Risks</i>		
Infrastructure Competitive Landscape	BMI Subjective Indicator	Assesses the openness of the competitive landscape. Considers the sophistication and saturation of the existing market, the ability to compete fairly in tenders and barriers to international companies entering the market.
Construction – Timeliness	BMI Project Risk Index	Measures the risk of delays to project development. Based on ability to secure permits and the potential for protracted bureaucracy to delay or increase the cost of operations.
Construction – Contracts	BMI Project Risk Index	Measures the risk of contracting issues. Assesses both the efficiency of contract resolution and the sophistication of local regulations.
Legal Environment	BMI Operational Risk Index	Measures risk stemming from lack of transparency and legal protection. Assesses the strength of rule of law, transparency and investor protection.
Labour Market Risk	BMI Operational Risk Index	Measures the risk to project development based on the labour market. Assesses the size, education levels and cost of employment.
<i>Country Risks</i>		
Long-Term Economic Risk Index	BMI Country Risk Index	Takes into account the structural characteristics of economic growth, the labour market, price stability, exchange rate stability and the sustainability of the balance of payments, as well as fiscal and external debt outlooks for the coming decade.
Short-Term Economic Risk Index	BMI Country Risk Index	Seeks to define current vulnerabilities and assess real GDP growth,



	Source	Rationale
		inflation, unemployment, exchange rate fluctuation, balance of payments dynamics, as well as fiscal and external debt credentials over the coming two years.
Political Risk Index	BMI Country Risk Index	The Political Risk Index is a score made up of the mean average across three distinct pillars: Governance Risk, Society Risk and Security Risk. These are aggregated into an overall assessment of Political Risk.
Operational Risk Index	BMI Operational Risk Index	Focuses on existing conditions relating to four main risk areas: Labour Market, Trade & Investment, Logistics, and Crime & Security.

Source: BMI



BMI

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