

# Monthly Construction Update

Business Statistics Team

10<sup>th</sup> April 2019



Department for  
Business, Energy  
& Industrial Strategy

Construction Output rose by 0.4% in February 2019 but fell 0.6% in the last three months

The **Office for National Statistics** published a provisional estimate of [construction output](#) for February 2019 this morning:

- Construction output decreased by 0.6% in the three-month on three-month all work series in February 2019; the all repair and maintenance, and all new work series saw decreases of 1.0% and 0.4% respectively.
- The decrease in the all new work series was driven by a fall in private commercial new work, which decreased by 3.7% whereas the decrease in all repair and maintenance, was driven by a fall in non-housing repair and maintenance which decreased by 2.6%.



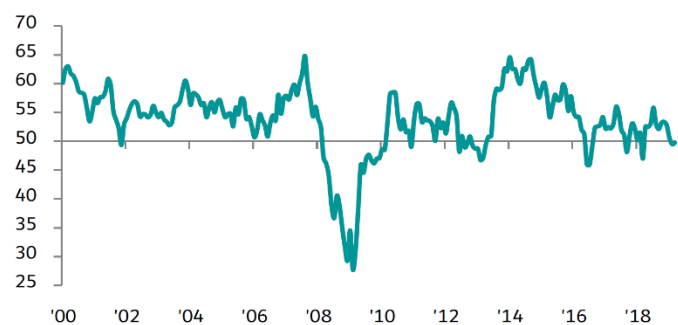
- Construction output increased by 0.4% in the month-on-month all work series in February 2019.
- In the month-on-month series, there was a 1.1% increase in all new work, while all repair and maintenance fell by 1.0% in February 2019.
- Annual growth in 2018 has been revised down to 0.3% from 0.7%.

IHS Markit CIP UK Construction Purchasing Managers Index for March 2018

IHS Markit CIPS published their latest [construction purchasing managers index](#) for March on 2<sup>nd</sup> April 2019.

- The UK construction sector PMI rose slightly in March to 49.7, remaining below the 50.0 no-change threshold and so indicating the first back-to-back fall in output levels since August 2016.
- Commercial construction was the worst performing area during the latest survey period, dropping to the greatest extent since March 2018 among widespread reports that EU exit uncertainty and concerns about the domestic economic outlook and led to risk aversion among clients. Civil engineering activity also fell in March but residential activity grew.

Total Activity Index  
sa, >50 = growth since previous month



- Business optimism edged up from the four-month low seen during February, but the degree of positivity remained below the long-term survey average. A number of respondents noted that economic and political uncertainty had weighed on business expectations for the next 12 months.
- Input price inflation was the fastest since November 2018, with higher raw material costs attributed to the weak sterling exchange rate and some shortages of available items from regular suppliers. Input buying rebounded slightly in March following the decline in February, which some firms attributed to stock building ahead of EU exit. Supplier delivery times lengthened markedly, attributed to low stocks and stretched capacity among vendors.

### Construction Output Forecasts for 2018, 2019 and 2020

In January 2019, **Experian** published their [forecasts](#) for the construction sector:

- Output is expected to increase by 0.8% in 2018, 0.4% in 2019, 2.5% in 2020 and 3.1% in 2021.
- Private housing will slow down but continue to rise steadily through the forecast period. Public housing will fall in 2018 but then recover strongly over the next three years.
- The infrastructure sector is forecast to continue to recover from a 3.4% downturn in 2016, it grew 10.2% in 2017 and is forecast to grow by 5% in 2018, 8% in 2019 and 10% in 2020 and 6% in 2021. The infrastructure work is expected to move from energy and water & sewage, to transport and sewage, led by Highways England's road upgrades and Thames Tideway.
- Private commercial building grew by 7.5% in 2017 but is forecast to decrease by 5% in 2018, 9% in 2019 and 5% in 2020 before the decline is halted in 2021. In total the sector is forecast to fall nearly 18% between 2017 and 2021. This decrease is thought to be due to a more cautious attitude from investors and developers in light of the EU Referendum vote in June 2016.

The **Construction Products Association** published their Winter [forecasts](#) for the construction sector in January 2019:

- Overall, construction output is forecast to fall by 0.2% in 2018, downgraded from the Autumn forecast of +0.1%. The demise of Carillion and bad weather in Q1 2018 caused the loss of £1 billion of work. It is estimated that 60% of this work may be recovered, although work on two major Carillion hospital projects is on hold until at least 2019. There have been declines in commercial offices and retail activity which counteracted significant growth in private housebuilding and infrastructure.
- In 2019, construction output is forecast to rise by 0.3%, reduced from 2.3% in the Summer forecast, as infrastructure projects and house building drive industry activity. Infrastructure is expected to reach the highest level on record in 2019 due to HS2, Thames Tideway and Hinkley Point C. Housebuilding activity is also expected to grow, encouraged by the extension of Help to Buy through to 2023.
- In 2020, construction output is forecast to rise by 1.6%. Growth in infrastructure is highly dependent on large projects such as HS2 and Hinkley Point C nuclear power station going ahead as planned, and there are some concerns due to the cancellation of the new nuclear power station at Wylfa and delays to Crossrail.

## Building Materials

The latest [Monthly Statistics of Building Materials and Components](#) were published by BEIS on 3<sup>rd</sup> April 2019.

- Annual materials price inflation in February 2019 was 4.3%, up from 3.8% in January 2018. Prices have been increasing steadily since early 2016 except for a short plateau at the end of 2018.
- Brick deliveries in February 2019 rose by 2.8% compared with February 2018, and by 6.5% compared with January 2019.
- Concrete block deliveries in February 2019 fell by 0.1% compared with February 2018 and by 10.7% compared with January 2019. This series has been quite volatile in the past few months.

## Date of future construction output releases

<i>Release for:</i>	<i>Publication date:</i>
March 2019	10 <sup>th</sup> May 2019
April 2019	10 <sup>th</sup> June 2019
June 2019	9 <sup>th</sup> August 2019

**Department for Business, Energy and Industrial Strategy**