

Monthly Construction Update

Business Statistics Team

10th June 2019



Department for
Business, Energy
& Industrial Strategy

Construction Output rose 0.4% in the three months to April 2019, New Orders rose by 9.6% in Q1 2019

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

- Construction output increased by 0.4% in the three-month on three-month all work series in April 2019; this increase was driven predominately by the all repair and maintenance series, which grew by 1.0%.
- The increase in all repair and maintenance in the three-month on three-month series in April 2019 was driven by non-housing repair and maintenance, which increased by 2.3%.
- New work experienced minimal growth, increasing by 0.1% in the three months to April 2019, with the growth in infrastructure (3.6%) and public new housing (4.7%) being counterbalanced by falls in private commercial new work (negative 2.2%) and public other new work (negative 2.3%).
- Construction output decreased by 0.4% in the month-on-month all work series in April 2019; this was due to a 2.1% fall in repair and maintenance, which was offset with growth of 0.6% in new work.
- New orders grew 9.6% in Quarter 1 (Jan to Mar) 2019 against the previous quarter; this growth was driven by a 16.1% increase in other new work, offset slightly with a fall of 4.6% in housing new work. Rail orders saw a 930% quarter-on-quarter increase due to the £1.65 billion order for work on Euston station as part of HS2. Private offices and entertainment orders also rose.

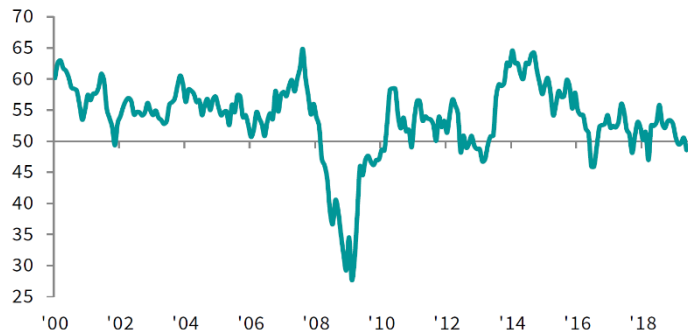


IHS Markit CIP UK Construction Purchasing Managers Index for May 2018

IHS Markit CIPS published their latest [construction purchasing managers index](#) for May on 4th June 2019.

- The UK construction sector PMI fell in May to 48.6, registering below the 50.0 no-change mark for the third time in four months. This was the lowest reading since the snow-related downturn in March 2018.

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



- Commercial activity was the weakest area, with output falling to the greatest extent since September 2017. Survey respondents commented that clients were holding back on major spending decisions due to EU exit uncertainty and concerns about the economic outlook. Civil Engineering activity fell for the fourth consecutive month, with respondents citing constrained client budgets and domestic political uncertainty. Residential work continued to expand, albeit at a weaker pace than in previous months.
- Reduced workloads led to more cautious recruitment and the non-replacement of departing staff. As a result the survey pointed to the sharpest drop in construction employment for 6½ years. Business optimism fell to its weakest since October 2018.
- Respondents reported another decline in purchasing activity, however supply chain pressures persisted leading to another sharp lengthening of average lead times. There were a number of reports citing low stocks and shortages of materials, particularly plasterboard.

Construction Output Forecasts for 2019, 2020 and 2021

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

- Output is expected to increase by 0.9% in 2019, 2.3% in 2020 and 2.7% in 2021.
- Private housing will slow down but continue to rise steadily through the forecast period. Public housing will be flat in 2019 but then recover strongly over the next three years.
- The infrastructure sector is forecast to see strong growth of 8% in 2019 and 9% in 2020, and then slow slightly in 2021 to 4%. Growth in this sector depends on progress on large projects such as Crossrail and Thames Tideway, as well as on new projects such as HS2 and Hinckley Point nuclear power station.
- Private commercial building fell by 6.4% in 2018 and is forecast to continue to fall by 6% in 2019 and 4% in 2020, followed by flat growth in 2021. This decrease seen across the main subsectors of offices, retail, and leisure, and 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 Spring 2019 [forecasts](#) for the construction sector in April 2019:

- Overall, construction output is forecast to fall by 0.4% in 2019, downgraded from the Winter 2018 forecast of 0.3%. Output will then rise by 1.4% in 2020 and by 1.7% in 2021.
- Private housing starts are forecast to fall by 2% in 2019, although completions are expected to rise as house builders finish the projects they started in 2018. Private housing starts are expected to rise by 1% in both 2020 and 2021. Public housing is forecasted to rise significantly over the forecast period, by 2% in 2019, 5% in 2020 and 2% in 2021.
- Infrastructure is expected to rise by 9.3% in 2019, followed by 9.7% in 2020 and 8.6% in 2021 due to several major projects. CPA expect this sector to be the key driver of growth for the construction industry.
- The private commercial sector is forecast to fall 7% in 2019, followed by falls of 5.8% in 2020 and 1.5% in 2021.

Building Materials

The latest [Monthly Statistics of Building Materials and Components](#) were published by BEIS on 5th June 2019.

- Annual materials price inflation in April 2019 was 4.1%. Prices for all types of construction have been increasing steadily since early 2016.
- Brick deliveries in April 2019 rose by 5.2% compared with April 2018 and by 1.0% compared with March 2019. Despite monthly volatility in this series, the general trend over the last couple of years is flat.
- Concrete block deliveries in April 2019 rose by 12.5% compared with April 2018 and by 3.6% compared with March 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>
May 2019	10 th July 2019
June 2019	9 th August 2019
July 2019	9 th September 2019