

Monthly Construction Update

Business Statistics Team

11th November 2019

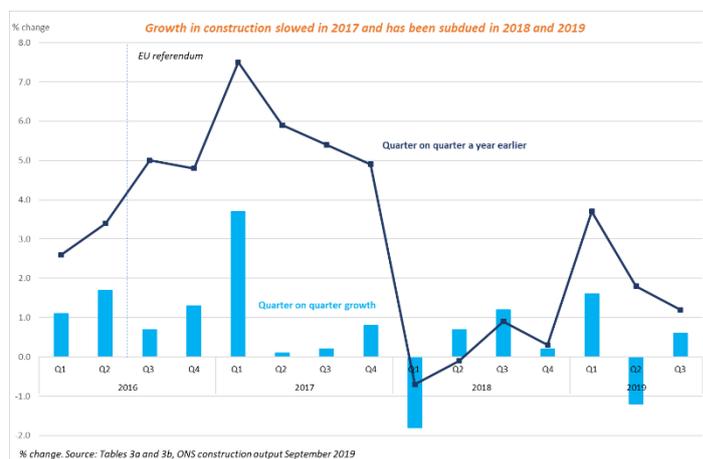


Department for
Business, Energy
& Industrial Strategy

Construction Output grew by 0.6% in the third quarter of 2019

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

- Construction output increased by 0.6% in Quarter 3 (July to Sept) 2019, partially reversing the decrease of 1.2% in Quarter 2 (Apr to June) 2019.
- This growth in Quarter 3 2019 was driven by a rise in new work of 1.4% but offset slightly by a fall in repair and maintenance of 0.8%.
- In new work, most sectors saw an increase with private housing (1.8%), private commercial (1.5%) and private industrial (7.2%) contributing significantly to the rise in Quarter 3 2019.



- In repair and maintenance, the fall in Quarter 3 2019 was driven by a 3.0% decline in private housing and to a lesser extent a decline of 0.3% in non-housing.
- Construction output decreased by 0.2% in the month-on-month all work series in September 2019; this was driven by a fall of 2.1% in repair and maintenance, which was partially offset by a rise in new work of 0.7%.

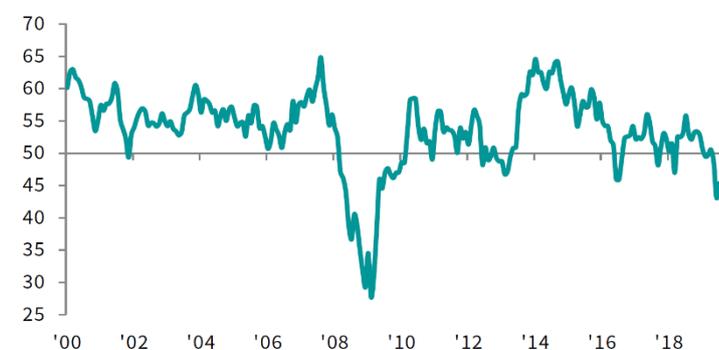
IHS Markit CIP UK Construction Purchasing Managers Index for October 2019

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

- The UK construction sector PMI rose in October to 44.2, up from 43.3 in September but still below the 50.0 no change threshold. Overall volumes of work fell for the sixth consecutive month.
- Lower volumes of work were recorded across all three categories of activity. Civil engineering was the worst performing sector, with business activity falling at the sharpest pace since October 2009. House building also decreased, with the greatest drop in residential work for over three years. Commercial construction fell for the tenth month running, but at the slowest rate since May.

Total Activity Index

sa, >50 = growth since previous month



- Input buying dropped again in October, but this weaker demand did not prevent a further lengthening in delivery times, with respondents commenting on stock shortages among suppliers, especially plasterboard and insulation materials. Input cost inflation was the lowest for just over three and a half years.
- Employment in the sector also reduced during the latest survey period. Employment numbers have declined each month since April, mainly attributed to the non-replacement of voluntary leavers.
- Business optimism towards the year ahead remained among the weakest seen since 2012. Client demand remained subdued in response to domestic political uncertainty and the economic backdrop.

Construction Output Forecasts for 2019, 2020 and 2021

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

- Output is expected to increase by 0.7% in 2019, 1.5% in 2020 and 2.5% in 2021, all reduced since the Summer forecasts.
- Private housing will slow down but continue to rise steadily through the forecast period. Public housing will recover from the fall in 2018 and show consistent growth in 2019 – 2021.
- The infrastructure sector is forecast to see strong growth of 10% in 2019 and then slow slightly to 6% in 2020, and 4% in 2021. 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 Hinkley Point nuclear power station.
- Private commercial building fell by 6.4% in 2018 and is forecast to continue to fall by 7% in 2019 and 5% 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 Autumn 2019 [forecasts](#) for the construction sector in October 2019:

- Overall, construction output is forecast to fall by 0.3% in 2019, in line with previous projections. Output will then rise by 0.5% in 2020 and by 0.9% in 2021, both revised down since the Summer forecast. The downgrade reflects uncertainty around EU Exit and major infrastructure delivery, notably Hinkley Point C and HS2.
- Private housing starts are forecast to fall by 2.0% in 2019, before returning to growth of 1% in 2020 as the economy settles. The sharpest falls in housing demand are occurring in London and the South East.
- Despite delays on major projects, there are pockets of growth in infrastructure, including significant investment in offshore wind. The sector is forecast to rise 11.2% in 2019 and 3.7% in 2020.
- The private commercial sector is forecast to fall by 6.9% in 2019, followed by a further 4.7% in 2020. This is due to the impact of EU exit uncertainty on offices construction and the impact of the shift to online consumer spending on retail construction. However, warehouse construction is forecast to grow by 15% in 2019 and 20% in 2020.

Building Materials

The latest [Monthly Statistics of Building Materials and Components](#) were published by **BEIS** on 6th November 2019.

- Annual materials price inflation in September 2019 was 0.8%, down from 1.7% in August. Annual materials price inflation for different types of construction varied from 0.2% for repair and maintenance to 0.8% for other new work. Prices for all types of construction increased steadily since early 2016 but have started to fall in recent months.
- The biggest price increase was for taps and valves for sanitaryware which rose by 11.8% compared with September 2018. The biggest decrease was for imported plywood which fell by 19.6% over the same period.
- Brick deliveries in September 2019 rose by 0.1% compared with September 2018 and by 7.5% compared with August 2019. The series has been volatile over the last two years.
- Concrete block deliveries in September 2019 fell by 1.1% compared with September 2018 but rose by 5.5% compared with August 2019. This series has been quite volatile in the past few months.
- Imports of construction materials fell by 8.5% in Q2 2019, and exports fell by 6.7% in the same period. As a result, the construction materials trade deficit narrowed to £2.5 billion, a decrease of 9.7% in the quarter.

Builders Merchant Building Index

The latest [Builders Merchant Building Index](#) was published by the **Builders Merchants Federation** and **GfK** in October 2019.

- Total Builders Merchants value sales in August 2019 were down 5.6% compared with the same period in 2018. On a like-for-like comparison, with one less trading day, average sales per day fell by 1.1%.
- The best performing sector in August was Kitchens & Bathrooms, which increased by 3.0% year-on-year, on an adjusted basis. Other sectors with positive growth include Plumbing, heating & Electrical (+2.3%), Workwear & Safetywear (+1.8%), and Ironmongery (+1.5%). However average sales per day fell back in Tools (-7.1%), Timber & Joinery (-5.2%), and Heavy Building Materials (-0.8%).
- Total August sales were down 11.4% compared with the previous month. However, when adjusted for the two-day trading difference, sales were down 2.9%. Landscaping (-9.5%), Heavy Building Materials (-3.0%), and Timber & Joinery (-2.1%) were significantly down, but all categories saw a decrease.
- Sales in the rolling 12 months September 2018 - August 2019 were up 1.6% on the same period last year. Year-to-date sales also remained positive at 1.2% compared to August 2018.

Date of future construction output releases

<i>Release for:</i>	<i>Publication date:</i>
October 2019	10 th December 2019
November 2019	13 th January 2020
December 2019	11 th February 2019