

# Monthly Construction Update

Business Statistics Team

10<sup>th</sup> December 2019

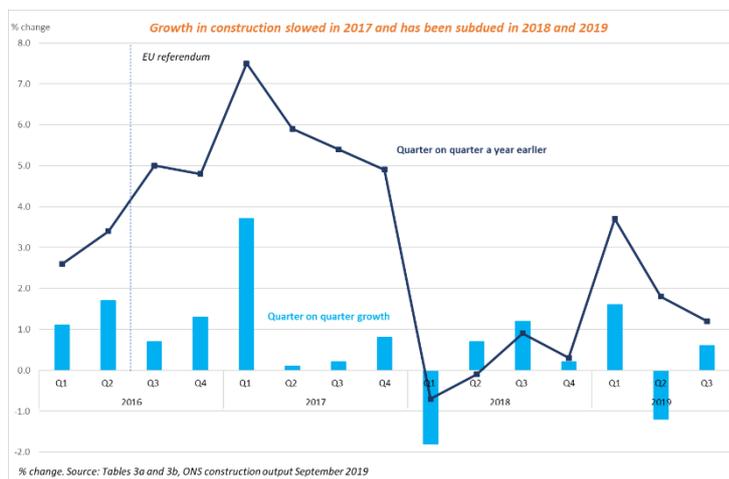


Department for  
Business, Energy  
& Industrial Strategy

## Construction Output decreased by 0.3% in the three months to October 2019

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

- Construction output decreased by 0.3% in the three months to October 2019, compared with the previous three-month period; this was driven by a fall of 1.4% in repair and maintenance, with a smaller positive contribution from 0.3% growth in new work.
- In repair and maintenance, the fall in the three months to October 2019 was largely because of the 3.6% decline in private housing repair and maintenance, with public housing repair and maintenance also falling 0.8%.

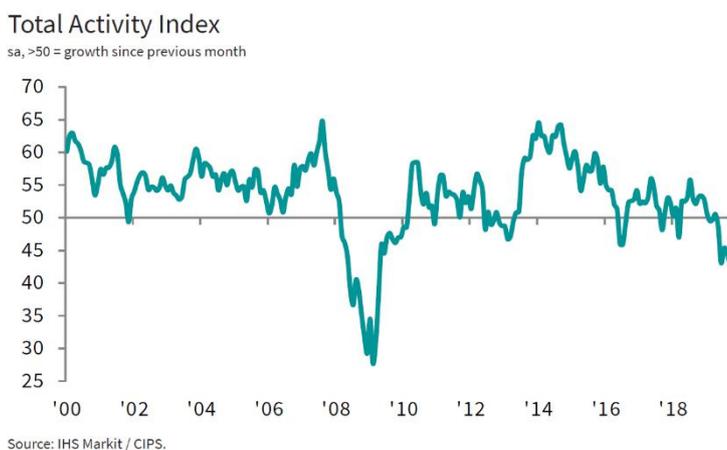


- Construction output decreased by 2.3% in the month-on-month all work series in October 2019; this is the largest monthly fall since January 2018 when it fell by 2.6%; this was largely because of a 3.1% fall in new work, with repair and maintenance also decreasing by 0.6%.
- New orders grew by 0.3% in Quarter 3 (July to Sept) 2019, this follows a fall of 14.5% in Quarter 2 (Apr to June) 2019; the rise in Quarter 3 2019 was driven by an 8.2% increase in new housing but offset by a 3.5% fall in all other work.

## IHS Markit CIP UK Construction Purchasing Managers Index for October 2019

**IHS Markit CIPS** published their latest [construction purchasing managers index](#) for November on 3<sup>rd</sup> December 2019.

- The UK construction sector PMI rose in November to 45.3, up from 44.2 in September but still below the 50.0 no change threshold. Overall volumes of work fell for the seventh consecutive month. Some respondents suggested that unusually wet weather had also had an impact on output.
- Lower volumes of work were recorded across all three categories of activity. Civil engineering was the worst performing sector, followed by commercial building. A much slower decline in housebuilding helped to moderate the overall drop.



- Input buying dropped again in November, and this weaker demand allowed suppliers to catch up with workloads. As a result, vendor lead times lengthened to the smallest extent since September 2010. Input cost inflation remained among the lowest seen since early 2016.
- Employment in the sector also reduced during the latest survey period. A number of respondents noted that softer demand had prompted cost-cutting efforts and led to 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 4<sup>th</sup> December 2019.

- Annual materials price inflation in October 2019 was 1.0%, up from 0.8% in September. Annual materials price inflation for different types of construction varied from 0.2% for repair and maintenance to 1.1% for new housing. 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 9.9% compared with October 2018. The biggest decrease was for imported plywood which fell by 18.6% over the same period.
- Brick deliveries in October 2019 fell by 7.1% compared with October 2018 and by 8.1% compared with September 2019. The series has been volatile over the last two years.
- Concrete block deliveries in October 2019 fell by 10.1% compared with October 2018 and by 5.0% compared with September 2019. This series has been quite volatile in the past few months.
- Imports of construction materials increased by 0.8% in Q3 2019, and exports rose by 4.0% in the same period. As a result, the trade deficit narrowed slightly to £2.5 billion, a decrease of 1.6% in the quarter.

## Builders Merchant Building Index

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

- Total Builders Merchants value sales in September 2019 were up 0.4% compared with the same period in 2018. Average sales per day fell by 4.4%, as there was one more trading day in September this year.
- Total sales in Q3 2019 fell by 0.8% by value compared with the same period in 2018, despite there being one additional trading day. This was the second consecutive quarter of decline, following a fall of 1.2% in Q2.
- The quarterly change is mostly driven by a fall of 4.7% in Timber & joinery compared with 2018. Heavy Building Materials fell 0.4%, with a decline in bricks balanced by growth in Cement/Aggregate, Plasters & Plasterboards, and Insulation. Plumbing, Heating & Electrical grew by 2.4% compared with Q3 2018.
- Growth in year-to-date sales also remained positive at 1.1% but slowing from 2.1% in June 2019.

## Date of future construction output releases

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