

Monthly Construction Update

Business Statistics Team

13th January 2019

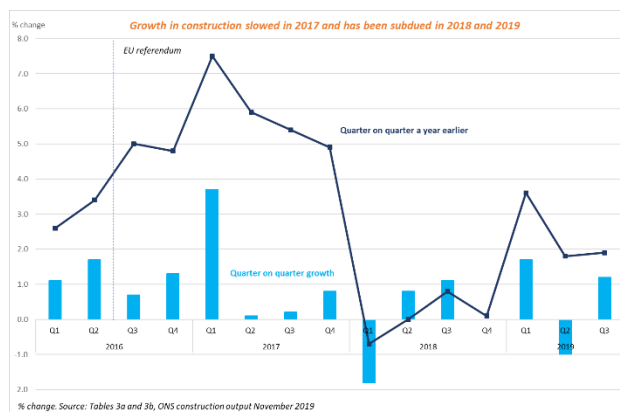


Department for
Business, Energy
& Industrial Strategy

Construction Output rose by 1.1% in the three months to November 2019

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

- Construction output increased by 1.1% in the three months to November 2019, compared with the previous three-month period; this was driven mostly by 1.6% growth in new work, with a smaller contribution from 0.2% growth in repair and maintenance.
- The rise in new work in the three months to November 2019 was because of growth in all sectors apart from private housing new work, which fell 0.4%; the largest positive contribution came from infrastructure and private commercial, which grew by 3.0% and 1.8% respectively.
- In repair and maintenance, the rise in the three months to November 2019 was largely because of the 1.2% increase in non-housing repair and maintenance, with public housing repair and maintenance growing 2.5%; in comparison, private housing repair and maintenance fell by 1.9%.
- Construction output increased by 1.9% in the month-on-month all work series in November 2019; this was primarily driven by 2.4% growth in new work and, to a lesser extent, 0.9% growth in repair and maintenance.

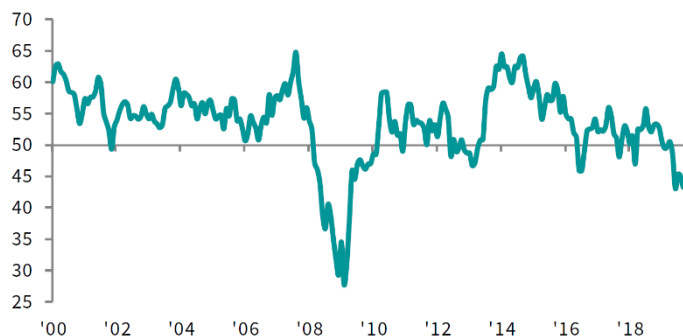


IHS Markit CIP UK Construction Purchasing Managers Index for December 2019

IHS Markit CIPS published their latest [construction purchasing managers index](#) for December on 3rd January 2020

- December data pointed to another sharp reduction in construction output, with the UK Construction Total Activity Index reported as 44.4, down from 45.3 in November, and below the crucial 50.0 no-change value for the eighth consecutive month. However business optimism rebounded to a nine-month high, with some respondents suggesting that greater clarity related to EU exit would boost order books.

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



Source: IHS Markit / CIPS.

- Lower volumes of work were recorded across all three categories of activity. Civil engineering was the worst performing sector, with activity falling at the fastest pace since March 2009. Latest data also

revealed a sharp drop in commercial work, while house building dropped for the seventh month running albeit at a modest rate of decline.

- Input buying dropped again in December, and this weaker demand helped to alleviate some supply chain bottlenecks. As a result, vendor lead times lengthened to the least marked extent since September 2010. Input cost inflation was the weakest recorded by the survey for almost ten years.
- Employment in the sector also reduced during the latest survey period, although with the softest decline for four months. A number of respondents noted that softer demand had prompted cost-cutting efforts and led to non-replacement of voluntary leavers.

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 8th January 2019.

- Annual materials price inflation in November 2019 was -0.6%, down from +1.0% in October. This was the first fall in annual inflation since July 2016. Annual materials price inflation for different types of construction varied from -1.2% for repair and maintenance to -0.2% 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 November 2018. The biggest decrease was for imported plywood which fell by 20.5% over the same period.
- Brick deliveries in November 2019 fell by 9.3% compared with November 2018 and by 1.5% compared with October 2019. The series has been volatile over the last two years.
- Concrete block deliveries in November 2019 fell by 8.9% compared with November 2018 and were unchanged compared with October 2019. This series has been quite volatile in the past few months.

Builders Merchant Building Index

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

- Total Builders Merchants value sales in October 2019 were down 4.4% compared with the same period in 2018, on an equal number of trading days. The best performing sectors in October were Workwear & Safetywear (+9.0%) and Kitchens & Bathrooms (+4.1%). Weaker sectors included Tools (-9.2%), Timber & Joinery (-7.2%), Landscaping (-5.4%) and Heavy Building Materials (-4.9%).
- Total October sales were up 6.0% compared with September, however when adjusted for the two-day trading difference, sales were down 3.2%. Most product categories saw relatively strong growth month-on-month, in particular Workwear & Safetywear, which grew 21.4%.
- Sales in the rolling 12 months from November 2018 to October 2019 were up 0.5% on the same period last year. Year-to-date sales also remained positive but were down to 0.5% compared with the same time last year.

Date of future construction output releases

<i>Release for:</i>	<i>Publication date:</i>
December 2019	11 th February 2020
January 2020	11 th March 2020
February 2020	9 th April 2020