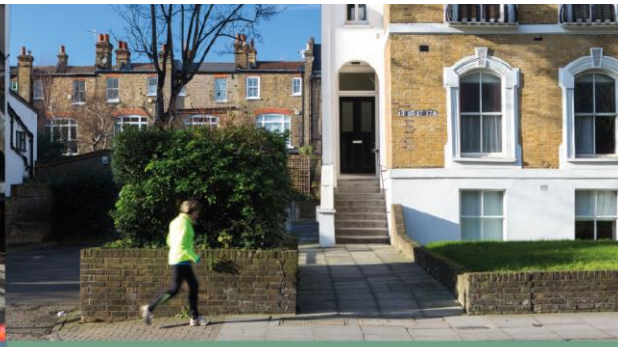


# Brexit – Impact on Construction Products



Dr Diana Montgomery  
Chief Executive

**cpa** | construction products  
association

# CPA Winter Forecasts Assumptions

- Either the revised Brexit Withdrawal Agreement goes through UK Parliament or, more likely at this stage, a delay to Article 50
- A reduction in short-term uncertainty though with a delay still major uncertainty in the medium term

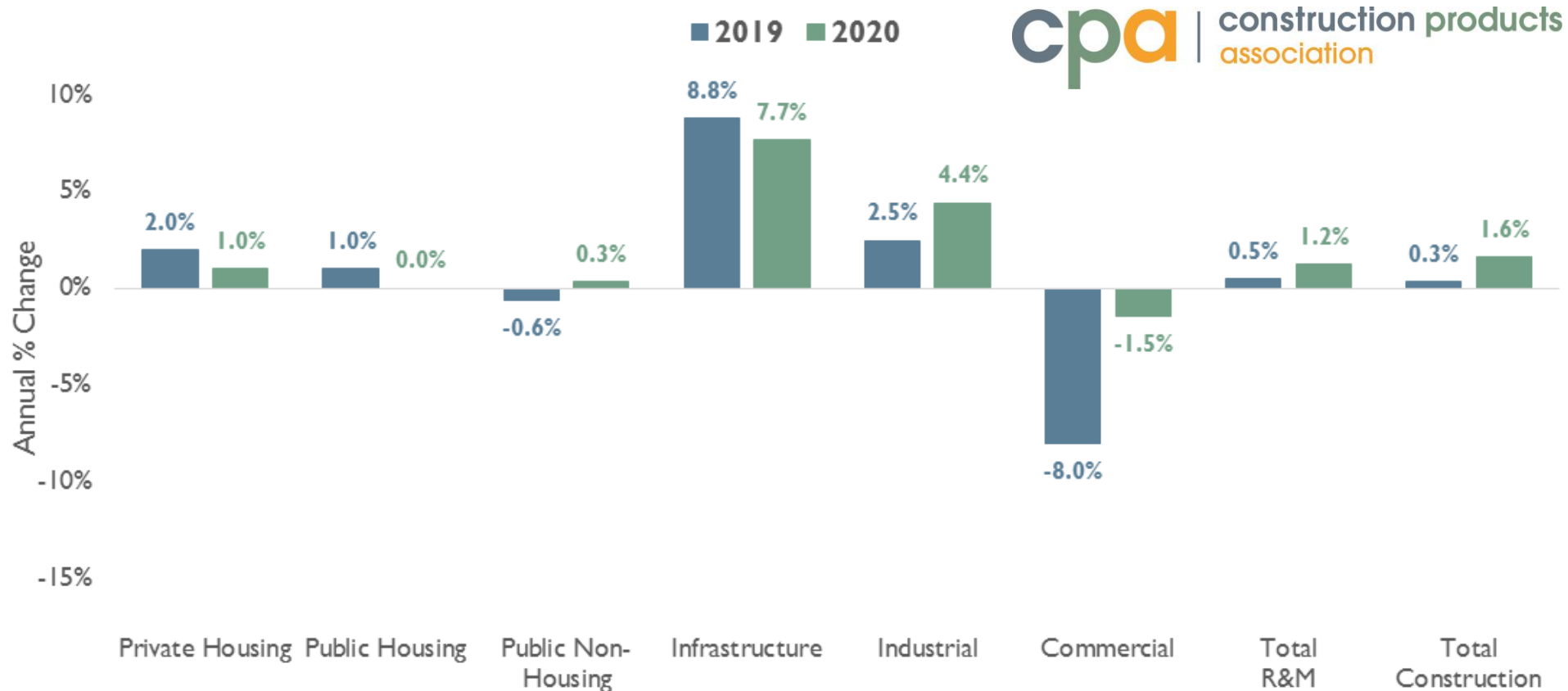
Whichever, there will be a continuation of uncertainty regarding the long-term relationship with the EU

Further stockpiling in Q1 partially offsets falls in business investment

If No Deal occurs it will not be design because UK Parliament cannot agree on any of the other options

# CPA Winter Forecast

Assumes either a revised Brexit Withdrawal deal is agreed with the EU & passes through UK Parliament or a delay to Article 50



# No Deal Issues

- 15%-20% depreciation in Sterling leads to rise in inflation
- WTO rules and tariff imposition but non-tariff barriers are greater
- Supply-chain disruption leads to fall in UK trade

Sharp fall in GDP in Q2 and Q3 before systems adjust

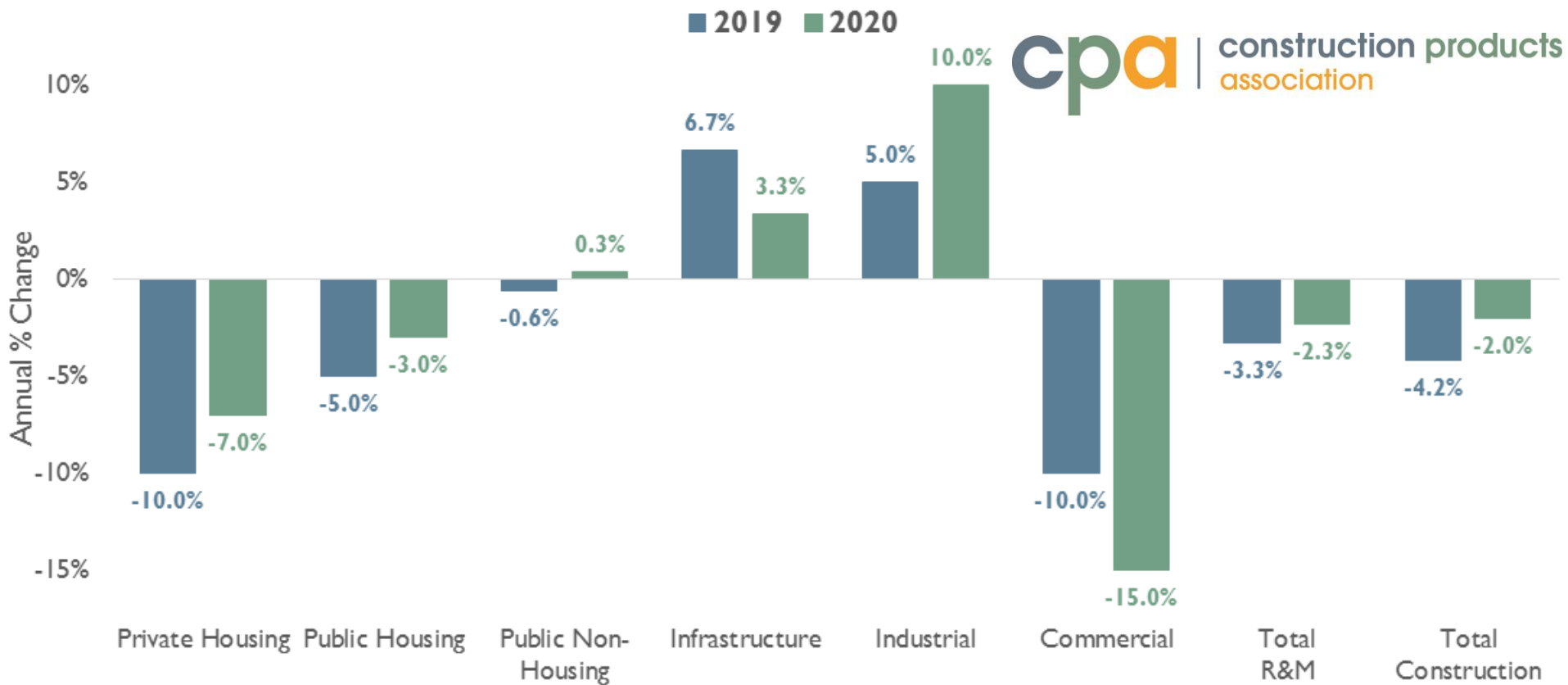
Skills shortages (27% of London workforce from EU)

Negative impact esp. on prime residential, commercial & factories

Further rise in warehousing and ports construction demand

# No Deal Scenario

- Only takes account of direct effects and excludes negative impact of consumer & business confidence

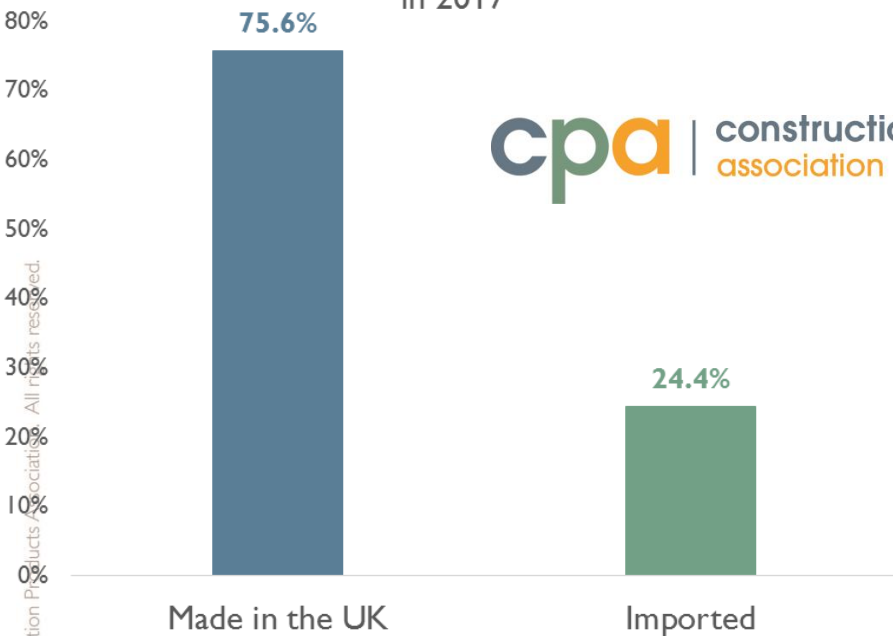


Source: CPA

# UK Construction Products Imports

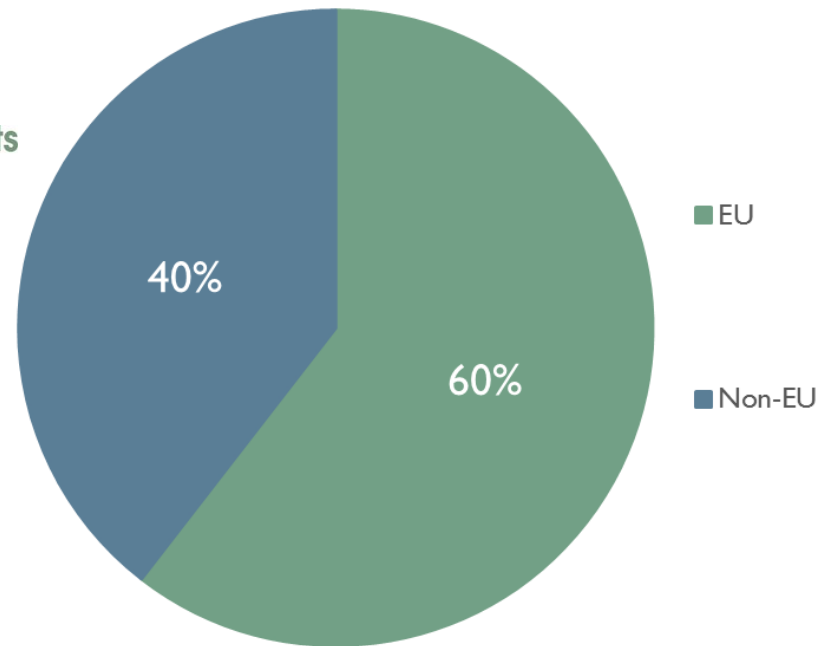
- Most construction products used in UK Construction are made here but of those imported, 60% come from the EU

Construction Products Used in UK Construction in 2017



Source: BEIS

UK Imports of Construction Products in 2017

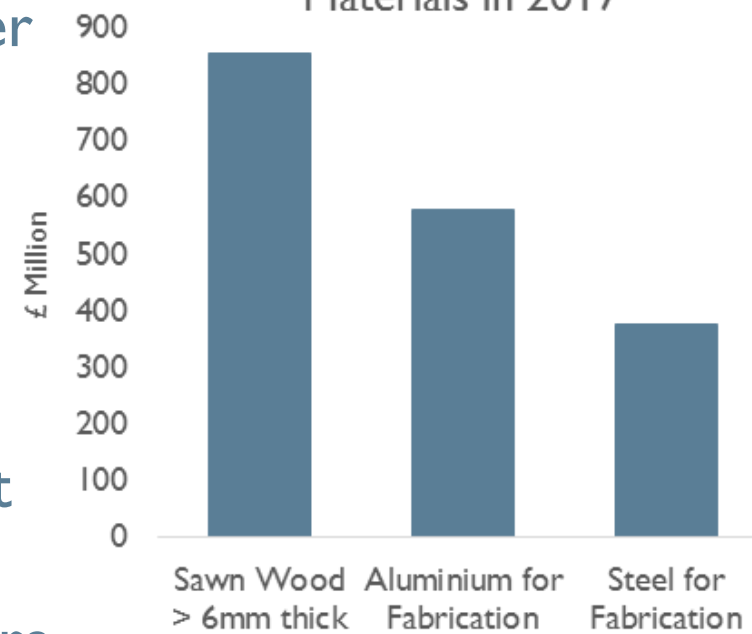


Source: BEIS

# Materials Business Models – Example Timber

- 92% of softwood timber imports from EU
  - Timber prices -2% in the year before the referendum but rose 18% in the year after due to sterling depreciations.
  - Timber prices are now 31% higher than before the EU Referendum
- Construction products tariffs are low but non-tariff barriers are more important. What happens when goods and drivers are physically slowed down?

Most Imported Construction Materials in 2017



Source: BEIS

# Key Questions

- Have you engaged your key suppliers to understand how they, and their supply chains, are impacted? Do you know how much stock they are holding vs allocated inventory?
- What are the supply chain contingency options, e.g. UK or non-EU suppliers, alternative supplies, port flexibility?

Do you require movement of data between the UK and EU to provide products?

What proportion of your sales and purchases are with businesses in the EU and under which categories they are covered?

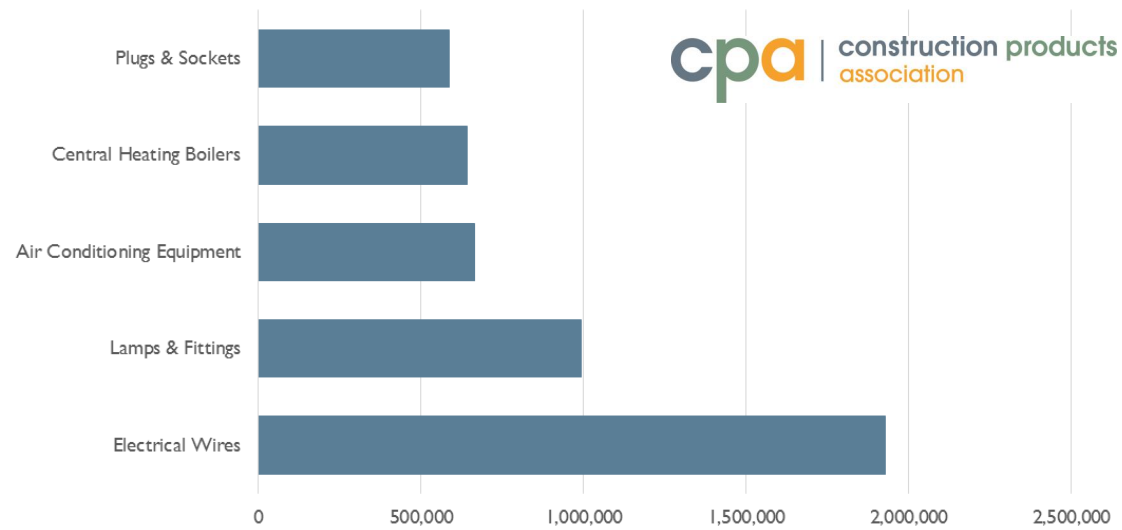


# Export Potential?

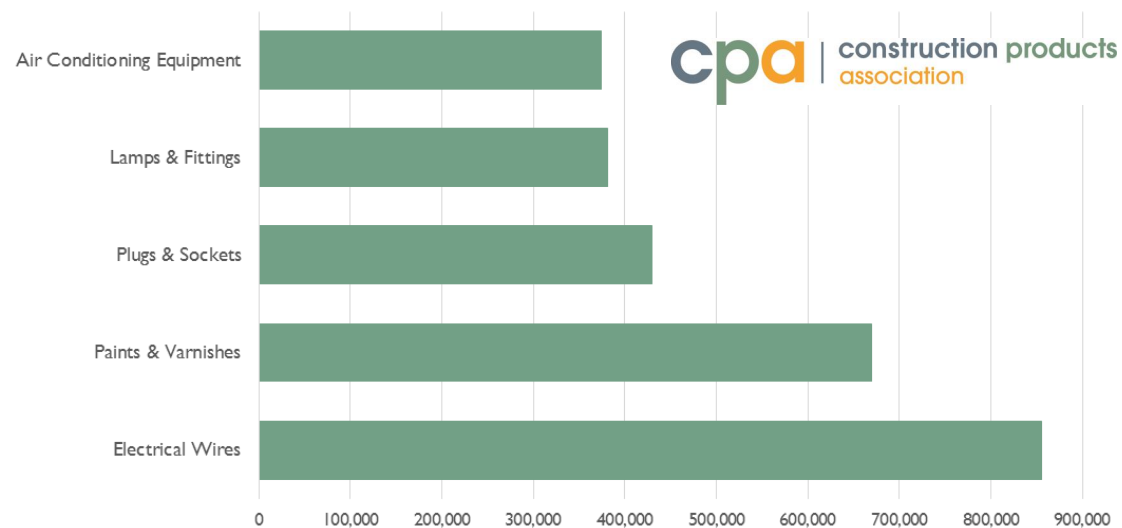
- 4 out of the top 5 exported products in 2015 also in the top 5 imported products
- Importing cheap, exporting quality? If so, there is export potential

International supply chains? If so, limited benefit to net trade

Most Imported Construction Products (£'000)



Most Exported Construction Products (£'000)



Source: BEIS

Source: BEIS



For Questions please contact:

[Diana.Montgomery@constructionproducts.org.uk](mailto:Diana.Montgomery@constructionproducts.org.uk)