

# Monthly Construction Update

Business Statistics Team

10<sup>th</sup> May 2019

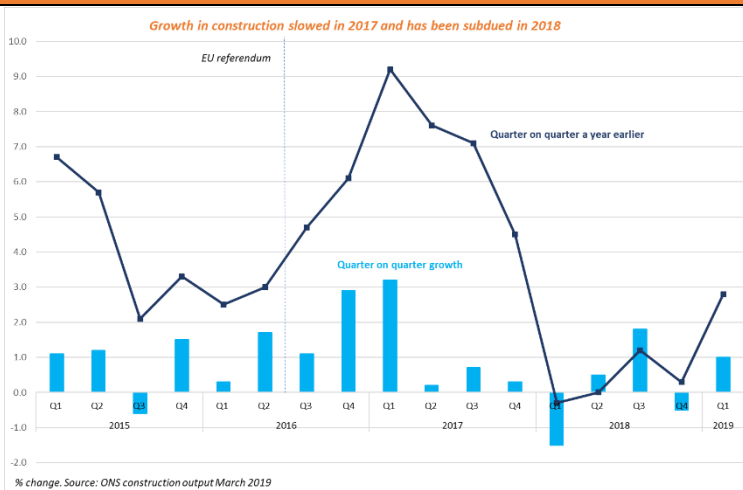


Department for  
Business, Energy  
& Industrial Strategy

## Construction Output rose by 1% in the first quarter of 2019 but fell by 1.9% in March 2019

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

- Construction output increased by 1.0% in Quarter 1 (Jan to Mar) 2019; this increase was driven by repair and maintenance output, which increased by 2.9%.
- The rise in repair and maintenance output in Quarter 1 2019 was driven by increases in both private housing repair and maintenance and non-housing repair and maintenance, which increased by 4.0% and 3.5% respectively.
- New work experienced no growth (0.0%) across Quarter 1 2019, as increases in infrastructure and public other new work of 5.6% and 3.3% respectively were offset by decreases in private commercial and housing new work of 4.7% and 1.2% respectively.
- Construction output decreased by 1.9% in the month-on-month all work series in March 2019; driven by falls in both new work and repair and maintenance, which fell by 1.8% and 2.2% respectively.



## IHS Markit CIP UK Construction Purchasing Managers Index for March 2018

IHS Markit CIPS published their latest [construction purchasing managers index](#) for April on 2<sup>nd</sup> May 2019.

- The UK construction sector PMI rose slightly in April to 50.5, rising above the neutral 50.0 threshold for the first time since January.
- House building was the strongest performing area of construction work in April, reporting the highest rate of growth since December 2018. Respondents reported resilient demand and a strong flow of new buyers. Commercial construction was the weakest area during the latest survey period, which a number of respondents linked to EU exit related uncertainty and delays with client spending decisions. Civil engineering activity also fell in April, although the rate of contraction was marginal.

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



- Employment numbers fell slightly in April, ending more than two-and-a-half years of sustained expansion. Respondents noted that lower business optimism and falling sales volumes had held back staff hiring.
- Supplier performance deteriorated sharply in April, despite subdued demand for construction materials. The latest lengthening of vendor lead times was the greatest recorded since February 2015. The rate of input price inflation accelerated for the third month running and was the fastest since November 2018.

### 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 1<sup>st</sup> May 2019.

- Annual materials price inflation in March 2019 was 4.4%. Prices have been increasing steadily since early 2016 except for a short plateau at the end of 2018.
- Brick deliveries in March 2019 rose by 7.6% compared with March 2018 but fell by 1.7% compared with February 2019.
- Concrete block deliveries in March 2019 rose by 9.5% compared with March 2018 and by 3.2% compared with February 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>
April 2019	10 <sup>th</sup> June 2019
May 2019	10 <sup>th</sup> July 2019
June 2019	9 <sup>th</sup> August 2019

**Department for Business, Energy and Industrial Strategy**