

# Monthly Construction Update

Business Statistics Team

10<sup>th</sup> July 2019



Department for  
Business, Energy  
& Industrial Strategy

Construction Output growth was flat (0.0%) in the three months to May 2019

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

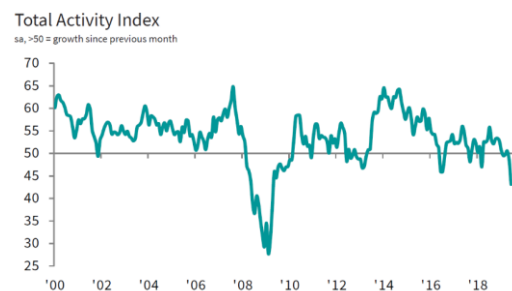
- Construction output growth was flat (0.0%) in the three-month on three-month all work series in May 2019; this was because of a fall in repair and maintenance of 0.5% being offset by a 0.3% increase in new work.
- In new work, the increase in the three-month on three-month series in May 2019 was driven by growth in private commercial new work and public new housing, which saw growths of 2.2% and 8.4% respectively.
- In repair and maintenance, the decrease in the three-month on three-month series in May 2019 was because of declines in both private and public housing repair and maintenance, which decreased by 2.5% and 3.2% respectively.
- Construction output increased by 0.6% in the month-on-month all work series in May 2019; driven by increases in both new work and repair and maintenance which grew by 0.4% and 1.2% respectively.
- Estimates in this release are consistent with the [GDP quarterly national accounts, UK: January to March 2019](#) publication released on 28 June 2019.



IHS Markit CIP UK Construction Purchasing Managers Index for June 2018

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

- The UK construction sector PMI fell in June to 43.1, registering below the 50.0 no-change mark for the fourth time in five months. This reading signalled the steepest reduction in overall construction output since April 2009.
- All three broad categories of activity recorded a decline during June. The fall in housebuilding was largest for three years, linked to weaker demand and concerns about the outlook for residential sales.



- Commercial work fell for the sixth consecutive month and remained the worst performing sector. The latest reduction was the steepest since December 2009, with respondents citing EU Exit uncertainty causing delays. Civil engineering activity also declined in June, with the fastest rate of contraction since October 2009. Respondents suggested that domestic political uncertainty and delays to new projects had acted as a brake on activity.
- Lower workloads led to the largest drop in input buying since January 2010. Supply chain pressures persisted, reflecting shortages in stock, with longer wait times for plasterboard and insulation materials in particular. However softer demand contributed to the slowest overall rate of input cost inflation since May 2016.

### 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 3<sup>rd</sup> July 2019.

- Annual materials price inflation in May 2019 was 3.1%. Annual materials price inflation for different types of construction varied from 2.4% for new housing to 3.4% for other new work. Prices for all types of construction have been increasing steadily since early 2016.
- The biggest price increase was for insulating materials (thermal or acoustic) which rose by 11.9% compared with May 2018. The biggest decrease was for electric water heaters which fell by 15% over the same period.
- Brick deliveries in May 2019 rose by 4.1% compared with April 2018 but fell by 0.1% compared with April 2019. Despite monthly volatility in this series, the general trend over the last couple of years is flat.
- Concrete block deliveries in May 2019 rose by 2.4% compared with May 2018 but fell by 2.3% compared with April 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 June 2019.

- Total Builders Merchants value sales in April 2019 were up 5.3% compared with April 2018. Having seen strong growth in both February and March, sales in the seasonal Landscaping category continued to improve in April and were up 17% compared to last year, due to the dry weather. Timber & Joinery Products and Heavy Building Materials also performed well, with sales growth of 5.5% and 4.5% respectively.
- Total Builders Merchants sales in April 2019 were up 0.6% compared with March, with only Landscaping and Services seeing increases while all other categories decreased. However, when adjusted to the number of trading days, total sales in April increased by 5.6% over March.
- Total sales in 2018 were 3.8% higher than in 2017. Four categories did better, led by Plumbing Heating & Electrical (+7.1%), with Timber & Joinery Products (+7.0%) just behind. Six categories grew more slowly, including Kitchens & Bathrooms (+2.7%) and Heavy Building Materials (+2.5%).

## Date of future construction output releases

<i>Release for:</i>	<i>Publication date:</i>
June 2019	9 <sup>th</sup> August 2019
July 2019	9 <sup>th</sup> September 2019
August 2019	10 <sup>th</sup> October 2019