

Monthly Construction Update

Business Statistics Team

9th September 2019

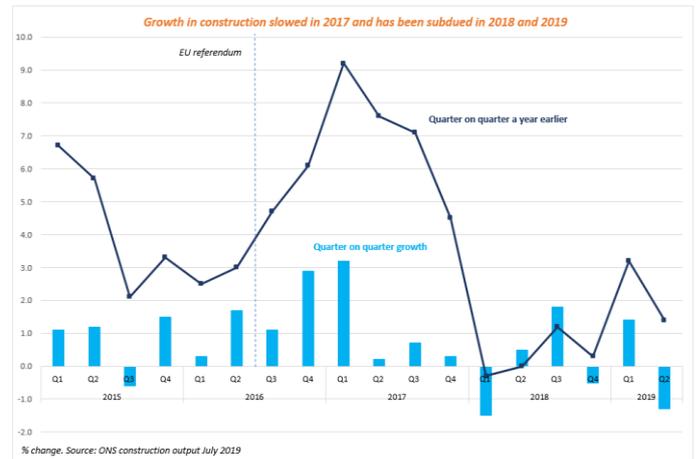


Department for
Business, Energy
& Industrial Strategy

Construction Output fell by 0.8% in the three months to July 2019, New Orders fell by 13.3% in Q2 2019

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

- Construction output decreased by 0.8% in the three-month on three-month all work series in July 2019; this was driven predominately by a fall in repair and maintenance of 2.2% with a minor contribution from a 0.1% fall in new work.
- In repair and maintenance, the fall in the three-month on three-month series in July 2019 was largely because of the 6.3% decline in private housing repair and maintenance, with a smaller contribution from the 0.6% fall in non-housing repair and maintenance.
- In new work, the decline in the three-month on three-month series in July 2019 was driven by public other new work and private new housing, with falls of 6.2% and 0.5% respectively; these were offset by an increase in public new housing of 6.8%.
- Construction output increased by 0.5% in the month-on-month all work series in July 2019; this was because of a 0.8% increase in new work along with flat growth (0.0%) in repair and maintenance.
- New orders in Quarter 2 (Apr to June) 2019 fell by 13.3% reversing the increase of 10.4% in Quarter 1 (Jan to Mar) 2019. This was driven by a 17.0% decline in all other work; all sectors apart from infrastructure experienced a decrease in comparison with Quarter 1 2019.



IHS Markit CIP UK Construction Purchasing Managers Index for August 2019

IHS Markit CIPS published their latest [construction purchasing managers index](#) for August on 3rd September 2019.

- The UK construction sector PMI fell in August to 45.0, down slightly from 45.3 in July and registering below the 50.0 no-change mark for the fourth consecutive month. This was led by the sharpest reduction in new work since March 2009. Business expectations for the year ahead have weakened sharply since July and were the least upbeat since December 2008.

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



- All three broad categories of activity decreased in August. Commercial work was the worst performing sector, with anecdotal evidence citing risk aversion and tighter budget setting among clients in response to EU exit uncertainty.
- Civil engineering activity also dropped at a relatively sharp pace during August. In contrast, the rate of decline in housebuilding was only modest and the rate of decline was the least marked since the downturn began in June.
- Employment trends were relatively resilient during August, with the latest survey pointing to only a marginal drop in staffing level. Some respondents noted that tight labour market conditions had encouraged the retention of skilled staff, with any cuts achieved through non-replacement of voluntary leavers. Input buying decreased for the fifth consecutive month, representing the longest period of decline since the first half of 2013. Demand for products and materials continued to soften, alleviating some of the pressure on supplier capacity, and input cost inflation moderated to its lowest level since March 2016.

Construction Output Forecasts for 2019, 2020 and 2021

In July 2019, **Experian** published their Summer 2019 [forecasts](#) for the construction sector:

- Output is expected to increase by 0.9% in 2019, 2.0% in 2020 and 2.8% 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 10% in 2019 and 9% in 2020, and then slow slightly in 2021 to 5%. 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 Summer 2019 [forecasts](#) for the construction sector in July 2019:

- Overall, construction output is forecast to fall by 0.3% in 2019, in line with previous projections. Output will then rise by 1.0% in 2020 and by 1.4% in 2021, both revised down since the Spring forecast.
- Private housing starts are forecast to fall by 2.0% in 2019, before growth of 1.0% in 2020. The sharpest falls in housing demand are occurring in London and the South East.
- Infrastructure is identified as the main driver of growth and vital to the fortunes of the industry on the next few years. The sector is expected to rise by 9.3% in 2019, but this highly dependent on the delivery of Thames Tideway, HS2 high speed rail, and the Hinkley Point C nuclear power station.
- 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.

Building Materials

The latest [Monthly Statistics of Building Materials and Components](#) were published by **BEIS** on 4th September 2019.

- Annual materials price inflation in July 2019 was 2.2%, down from 3.0% in June. Annual materials price inflation for different types of construction varied from 1.4% for repair and maintenance to 2.8% for other new work. 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 insulating materials (thermal or acoustic) which rose by 13.1% compared with June 2018. The biggest decrease was for electric water heaters which fell by 17.1% over the same period.
- Brick deliveries in July 2019 fell by 7.7% compared with July 2018 and by 7.1% compared with June 2019. The series has been volatile over the last two years.
- Concrete block deliveries in July 2019 fell by 6.9% compared with July 2018 but rose by 2.7% compared with June 2019. This series has been quite volatile in the past few months.
- Imports of construction materials fell by 8.5% in Q2 2019, and exports fell by 6.7% in the same period. As a result, the construction materials trade deficit narrowed to £2.5 billion, a decrease of 9.7% in the quarter.

Builders Merchant Building Index

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

- Total Builders Merchants value sales in Q2 2019 saw a decline of 1.2% in value terms against Q2 2018, but this is exclusively driven by the month of June. June 2018 will be remembered for extreme heat and a lack of rain, while 2019 saw most of England and Wales with a higher rain fall than average, alongside one less trading day resulting in June 2019 being down by 8.1% year on year. Furthermore Q2 2018 sales spiked due to Q1 external construction delays following the Beast from the East, so care should be taken when assessing Q2 2019.
- The top line value indicator for Q2 2019 vs 2018 shows Timber Joinery stable at -0.1% balanced against minimal Timber increases and a slight decline in Sheet Materials. Heavy Building Materials has declined by 1.6% with highlights including growth for Plaster Plasterboards and Insulation and a decline in Aggregates.
- Year to date figures still show value growth against 2018 but this has slowed down to 2.1% with price inflation the driver as volume continues to slow. The core sectors of Heavy Building Materials and Timber Joinery have driven most of this growth, increasing in value by 2.2% and 3.1% respectively Landscaping remains the best performing, up by 6.5% however Tools has shown a sluggish performance down by 4.9%.

Date of future construction output releases

<i>Release for:</i>	<i>Publication date:</i>
August 2019	10 th October 2019
September 2019	11 th November 2019
October 2019	10 th December 2019

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