

# Monthly Construction Update

Business Statistics Team

10<sup>th</sup> October 2019

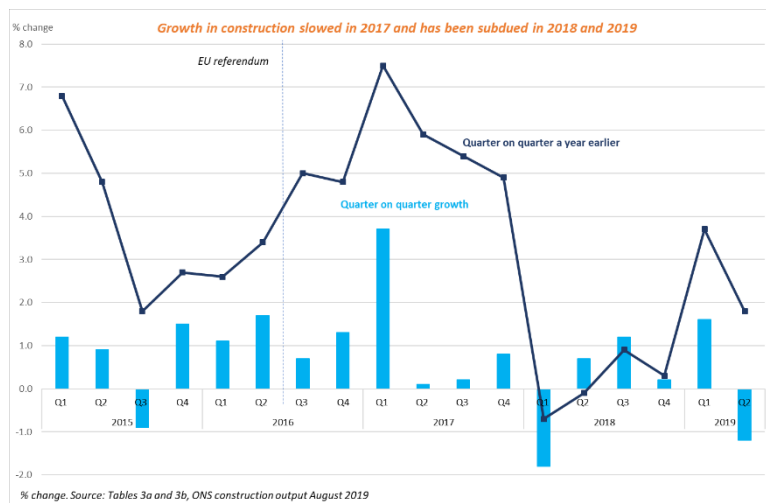


Department for  
Business, Energy  
& Industrial Strategy

## Construction Output increased by 0.1% in the three months to August 2019

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

- Construction output increased by 0.1% in the three-month on three-month all work series in August 2019; this was driven by a rise in new work of 0.5% but offset by a fall in repair and maintenance of 0.8%.
- In new work, the increase in the three-month on three-month series in August 2019 was driven by private new housing, private commercial and public new housing, with rises of 1.0%, 0.9% and 3.6% respectively.

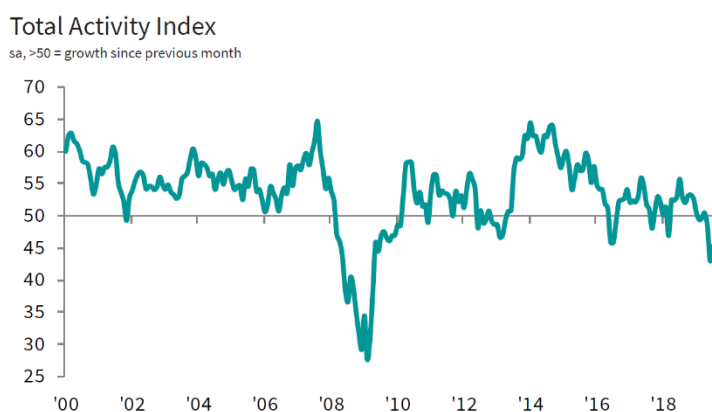


- In repair and maintenance, the fall in the three-month on three-month series in August 2019 was largely because of the 3.5% decline in private housing repair and maintenance, with a smaller contribution from a 0.2% fall in non-housing repair and maintenance.
- Construction output increased by 0.2% in the month-on-month all work series in August 2019; this was driven by a rise of 1.1% in repair and maintenance, offset somewhat by a fall in new work of 0.2%.
- Data have been revised back to January 2010 as this release contains the annual updates that will be included in the Blue Book 2019 due to be published on 31 October 2019. Information about the revisions can be found in the [ONS release](#).

## IHS Markit CIP UK Construction Purchasing Managers Index for September 2019

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

- The UK construction sector PMI fell in September to 43.3, down from 45.0 in August and signalling a more severe downturn in building activity. The deterioration was the second strongest since April 2009 and broad-based across all three categories of construction work.
- Commercial work continued to be the worst-performing category, falling at the fastest rate since April 2009. Civil



engineering activity also fell sharply, at the fastest rate for nearly a decade. Residential activity fell for the fourth successive month.

- Input prices continued to rise in September, linked in part to greater fuel expenses and higher prices for some raw materials. However, the rate of inflation eased to a 3½ year low in line with reduced demand. Despite this, respondents report bottlenecks and shortages at suppliers which contributed to delivery delays.
- Employment in the sector also reduced during the latest survey period. The fall in staffing levels was the sixth in as many months, and the strongest since the end of 2010.
- UK construction firms were mildly optimistic that volumes would pick up over the next 12 months, although the level of business confidence was weak by historical standards. Competitive pressures, EU Exit uncertainty, and concerns about the economy led to a subdued outlook.

### 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 2<sup>nd</sup> October 2019.

- Annual materials price inflation in August 2019 was 1.7%, down from 2.2% in July. Annual materials price inflation for different types of construction varied from 1.0% for repair and maintenance to 2.1% 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 12.8% compared with August 2018. The biggest decrease was for imported plywood which fell by 17.4% over the same period.
- Brick deliveries in August 2019 fell by 7.7% compared with August 2018 but rose by 0.6% compared with July 2019. The series has been volatile over the last two years.
- Concrete block deliveries in August 2019 fell by 11.3% compared with July 2018 and by 3.3% compared with July 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 September 2019.

- Total Builders Merchants value sales in July were up 2.9% in value compared with July 2018. Most categories saw sales increases, including Workwear & Safetywear (+13.4%), Kitchens & Bathrooms (+6.4%) and Plumbing, Heating & Electrical (+6.0%). However, Tools fell 5.1% and Timber & Joinery Products fell 0.1%.
- Sales in July increased 13.3% compared with June 2019. However, much of this growth can be attributed to trading day difference of 3 days between June and July. Adjusted for trading days, total sales fell 1.5%. On a sales per day basis only two sectors performed better in July than June, Services (+2.6%) and Miscellaneous (+3.9%).
- Sales in the last three months (May, June and July) increased by 7.6% compared with the previous three months (February, March and April). Growth adjusted for trading days was 2.5%.
- 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>
September 2019	11 <sup>th</sup> November 2019
October 2019	10 <sup>th</sup> December 2019
November 2019	13 <sup>th</sup> January 2020

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