

Monthly Construction Update

Business Statistics Team

11th February 2019

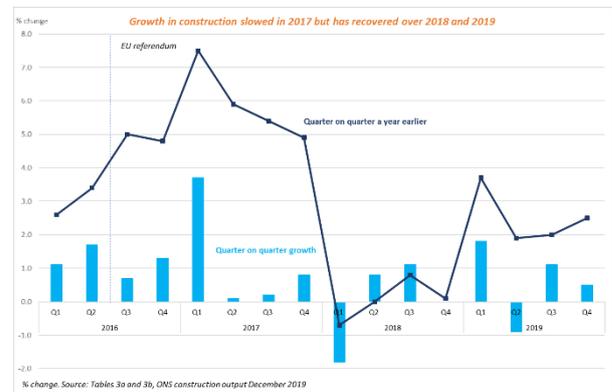


Department for
Business, Energy
& Industrial Strategy

Construction Output rose by 2.5% in 2019

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

- Construction output increased by 0.5% in Quarter 4 (Oct to Dec) 2019 compared with Quarter 3 (July to Sept) 2019; this was driven by a 0.8% growth in new work, which offset a 0.1% fall in growth in repair and maintenance.
- The 0.8% rise in new work in Quarter 4 2019 was because of growth in all sectors apart from private new housing and public other new work, both of which fell 1.1%; the largest positive contributions came from private commercial and public new housing, which grew by 2.5% and 8.4% respectively.
- In repair and maintenance, the 0.1% fall in Quarter 4 2019 was driven by a 2.9% decrease in private housing repair and maintenance; in comparison, non-housing and public housing repair and maintenance grew 1.6% and 0.9% respectively.
- Construction output increased by 0.4% in the month-on-month all work series in December 2019; this was driven by a 0.8% growth in new work which offset a 0.4% fall in repair and maintenance.
- When compared with 2018, the level of all work in 2019 saw a 2.5% increase; this was predominately driven by a 3.4% growth in new work and, to a lesser extent, a 0.7% increase in repair and maintenance.
- New orders grew by 4.4% in Quarter 4 (Oct to Dec) 2019; this rise was driven by an 11.2% rise in all other work but offset by an 8.5% fall in new housing. New orders in 2019 fell by 1.2% compared with 2018.



IHS Markit CIP UK Construction Purchasing Managers Index for January 2020

IHS Markit CIPS published their latest [construction purchasing managers index](#) for January on 4th February 2020

- January data pointed to a much slower decline in UK construction output than seen at the end of 2019, with the activity index at 48.4, still below the 50.0 no change threshold but signalling the slowest fall for eight months. Respondents widely commented on a boost to client demand from receding political uncertainty.
- House building was the best performing area of construction activity, with output falling only slightly in January. Commercial activity decreased for

Total Activity Index

sa, >50 = growth since previous month



Source: IHS Markit / CIPS.

the thirteenth consecutive month, but at a much weaker rate of contraction, the softest since the start of 2019, again linked by respondents to reduced domestic political uncertainty. Civil engineering was the worst performing category, with respondents citing a lack of tender opportunities.

- The latest survey pointed to a modest degree of supply chain pressure, with lead-times from vendors lengthening slightly despite a drop in purchasing volumes at the start of 2020. However sub-contractor availability improved for the first time since last September and at the fastest pace for three-and-a-half years.
- Average cost burdens increased at a robust and accelerated pace in January. The latest rise was the sharpest since July 2019, with survey respondents commenting on higher fuel and haulage costs, as well as increased prices for imported construction inputs.

Construction Output Forecasts for 2019, 2020 and 2021

In January 2020, **Experian** published their Winter 2019/20 [forecasts](#) for the construction sector:

- Output is expected to increase by 1.2% in 2019, fall by 0.1% in 2020, and then grow by 2.1% in 2021 and 2.9% in 2022. The forecast for 2020 has been reduced since the Autumn forecasts, due to weakness in some of the main construction markets, in particular commercial building and delays to HS2.
- Private housing will slow down but continue to rise steadily through the forecast period. Public housing will fall in 2020 following strong growth in 2019, but then return to growth in 2021.
- The infrastructure sector is forecast to see no change in 2020 and then grow again by 4% in 2021, and 5% in 2022. 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 in 2018 and 2019 and is forecast to continue to fall by 4% in 2020, followed by flat growth in 2021 before recovery of 2% in 2022.

The **Construction Products Association** published their Winter 2019/20 [forecasts](#) for the construction sector in January 2020:

- Overall, construction output is forecast to grow by 0.6% in 2019 but then fall by 0.3% in 2020, followed by a rise by 1.2% in 2021, revising the path forecast in the previous forecasts which saw a fall in 2019 followed by growth in 2020. The changes largely reflect the result of the General Election bringing increased short-term certainty, although there is still considerable uncertainty in the medium term.
- Private housing output is forecast to fall by 1.0% in 2020, before returning to growth of 1% in 2021 with house builders taking a cautious stance on near-term demand and house price growth.
- Infrastructure output is forecast to rise 3.4% in 2020 and 5.0% in 2021, slightly lower than previous forecast due to a hiatus at the start of new five-year regulatory periods in water and sewerage, rail, and roads subsectors, as well as uncertainty on HS2.
- The private commercial sector is forecast to fall by 4.2% in 2020, followed by a further 2.4% in 2021. 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. However, private industrial construction is forecast to grow by 5.1% in 2020 and 4.6% in 2021, driven by warehouses.

Building Materials

The latest [Monthly Statistics of Building Materials and Components](#) were published by **BEIS** on 5th February 2020.

- Annual materials price inflation in December 2019 was -1.1%, down from -0.6% in November. Annual materials price inflation for different types of construction varied from -1.5% for repair and maintenance to -0.4% for new housing. Prices for all types of construction increased steadily from early 2016 but have fallen in recent months.
- The biggest price increase was for taps and valves for sanitaryware which rose by 10.0% compared with December 2018. The biggest decrease was for imported plywood which fell by 23.0% over the same period.
- Brick deliveries in December 2019 fell by 2.6% compared with December 2018 but rose by 12.7% compared with November 2019. The series has been volatile over the last two years.
- Concrete block deliveries in December 2019 fell by 4.0% compared with December 2018 and by 2.4% compared with November 2019. This series has also 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 January 2020.

- Total Builders Merchants value sales in November 2019 were down 7.4% compared with the same period in 2018, with one fewer trading day. Average sales a day were down 3%. The best performing sectors in November were Renewables & Water Saving (+5.3%) and Workwear & Safetywear (+3.7%). The worst performing sectors were Tools (-12.7%), Timber & Joinery (-9.6%), Ironmongery (-8.0%), Heavy Building Materials (-7.9%) and Landscaping (-7.4%).
- Total November sales fell 10.0% compared with October, however when adjusted for the two-day trading difference, sales were down 1.4%. All product categories were down month-on-month, including Heavy Building Materials (-10.9%), Timber & Joinery (-10.0%) and Ironmongery (-9.8%).
- Sales in the rolling 12 months from December 2018 to November 2019 were down 0.2% on the same period last year. However, when adjusted for one less trading day, year-to-date sales are slightly ahead at 0.2%

Date of future construction output releases

<i>Release for:</i>	<i>Publication date:</i>
January 2020	11 th March 2020
February 2020	9 th April 2020
March 2020	12 th May 2020