

# Monthly Construction Update

Business Statistics Team

11<sup>th</sup> March 2020

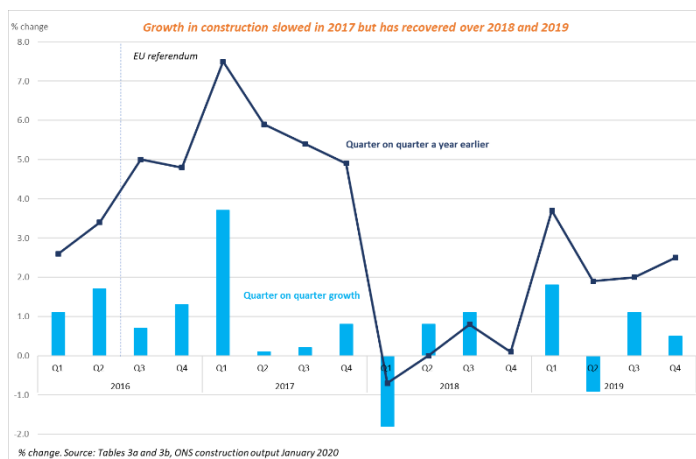


Department for  
Business, Energy  
& Industrial Strategy

## Construction Output rose by 1.4% in the three months to January 2020

The **Office for National Statistics** published a provisional estimate of [construction output](#) for January 2020 this morning:

- Construction output increased by 1.4% in the three months to January 2020, compared with the previous three-month period; this was driven by 2.4% growth in new work but offset by a 0.6% fall in repair and maintenance.
- The rise in new work in the three months to January 2020 was because of growth in all sectors, with the largest positive contributions coming from private housing, private commercial and infrastructure, which increased by 2.4%, 2.1% and 1.7% respectively.

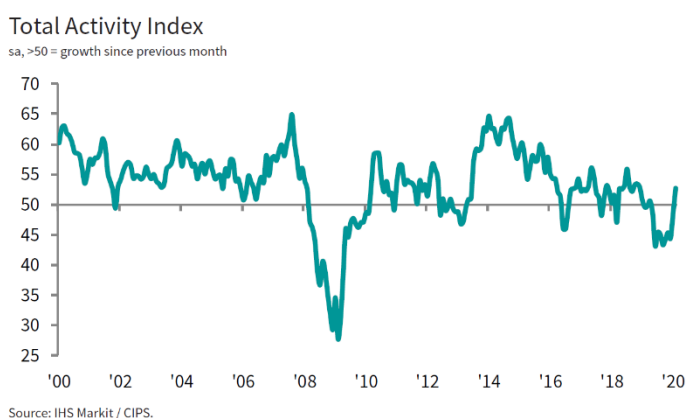


- In repair and maintenance, the fall in the three months to January 2020 was because of a fall in private housing, which decreased by 5.6%; in comparison public housing repair and maintenance, and non-housing repair and maintenance increased by 2.0% and 2.4% respectively.
- Construction output decreased by 0.8% in the month-on-month all work series in January 2020; this was driven by a 2.4% fall in repair and maintenance as new work saw flat growth (0.0%).

## IHS Markit CIP UK Construction Purchasing Managers Index for February 2020

IHS Markit CIPS published their latest [construction purchasing managers index](#) for February on 3<sup>rd</sup> March 2020

- February data saw the sharpest rise in construction output since December 2018, underpinned by housing and commercial work. At 52.6, up from 48.4 in January, the Total Activity Index registered above the 50.0 non change threshold for the first time since April 2019 and saw the fastest rate of growth for 14 months. The increase in new work was the steepest recorded for just over four years.



- House building was the best performing area of construction activity, with the strongest expansion since July 2018. Commercial activity also returned to growth in February, with the fastest increase in activity since November 2018. In contrast, civil engineering fell marginally, albeit at the slowest rate for 13 months. Some respondents noted that severe weather conditions had led to delays on site.

- Higher levels of new work helped to stabilise employment numbers across the sector, and demand for sub-contractors picked up for the second month running, and to the greatest extent since December 2018.
- Purchasing activity returned to growth in February, placing additional pressure on supply chains with lead times lengthening to the greatest extent since last October. However latest data indicated a slowdown in overall cost inflation since January.

### 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 4<sup>th</sup> March 2020.

- The annual trade deficit for building materials narrowed in 2019 by £550 million to £10,024 million, a decrease of 5.2%. This was due to a decrease in imports of 2.4% (to £17,727 million) and an increase in exports of 1.5% (to £7,703 million).
- Annual materials price inflation in January 2020 was -1.0%, up slightly from -1.1% in December. Annual materials price inflation for different types of construction varied from -1.2% for other new work to -0.6% for new housing. The biggest price increase was for taps and valves for sanitaryware which rose by 9.7% compared with January 2019. The biggest decrease was for imported plywood which fell by 17.5% over the same period.
- Brick deliveries in January 2020 fell by 2.3% compared with January 2019 and by 11.1% compared with December 2019. The series has been volatile over the last two years.
- Concrete block deliveries in January 2020 fell by 1.8% compared with January 2019 but rose by 10.1% compared with December 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 February 2020.

- Total Builders Merchants value sales in December 2019 were up 1.0% compared with the same month in 2018. The best performing sectors in December were Renewables & Water Saving (+16.5%), Services (9.1%), and Kitchens and Bathrooms (+8.1%). The worst performing sectors were Tools (-4.0%) and Timber & Joinery Products (-3.4%).
- Total Q4 sales in 2019 fell by 4.0% compared with Q4 2018, although with one fewer trading day. Tools fell by 8.5% and Timber and Joinery Products by 6.7%. However, Renewables and Water Saving rose by 6.4% and Workwear and Safetywear by 5.8%. Compared with Q3 2019, Q4 sales fell by 13.9% but there were 6 fewer trading days in Q4. Landscaping fell by 33.2% and Heavy Building Materials by 14.8%, whereas Workwear and Safetywear rose by 11.2%.
- Sales in 2019 increased by 0.1% compared with 2018, albeit with one fewer trading day. Tools was the worst performing sector, falling by 6.3%. Miscellaneous was the best performing sector, increasing by 5.5%, with Landscaping following with growth of 3.0%.

## Date of future construction output releases

| <i>Release for:</i> | <i>Publication date:</i>   |
|---------------------|----------------------------|
| February 2020       | 9 <sup>th</sup> April 2020 |
| March 2020          | 12 <sup>th</sup> May 2020  |
| April 2020          | 10 <sup>th</sup> June 2020 |