

Monthly Construction Update

Business Statistics Team

12th June 2020



Department for
Business, Energy
& Industrial Strategy

Construction Output fell by 40.1% in April 2020 and 18.2% in the three months to April 2020

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

- Construction output fell by 40.1% in the month-on-month all work series in April 2020; this was driven by a 41.2% decrease in new work and a 38.1% decrease in repair and maintenance; all of these decreases were the largest monthly falls on record since the monthly records began in January 2010.
- The decrease in new work (41.2%) in April 2020 was because of record month-on-month falls in all new work sectors; private new housing and private commercial were the largest contributors, falling by 59.2% and 39.7% respectively.
- The decrease in repair and maintenance (38.1%) in April 2020 was because of record month-on-month falls in all repair and maintenance sectors; the largest contributor was private housing repair and maintenance which declined by 54.3%.
- Construction output fell by record 18.2% in the three months to April 2020, compared with the previous three-month period; this was driven by a 19.4% fall in new work and a 15.8% fall in repair and maintenance.
- Data for April 2020 was collected by online questionnaire for the first time rather than by paper questionnaire as previously. This led to improved response rates for April 2020 by both number of forms and turnover coverage of the industry when compared with March 2020, though response is still below levels seen prior to COVID-19.

Figure 1: Monthly construction output saw a record decline of 40.1% in April 2020 to take construction output to its lowest level since monthly records began in 2010

Quarterly and monthly all work index, chained volume measure, seasonally adjusted, Great Britain, January 2010 to April 2020

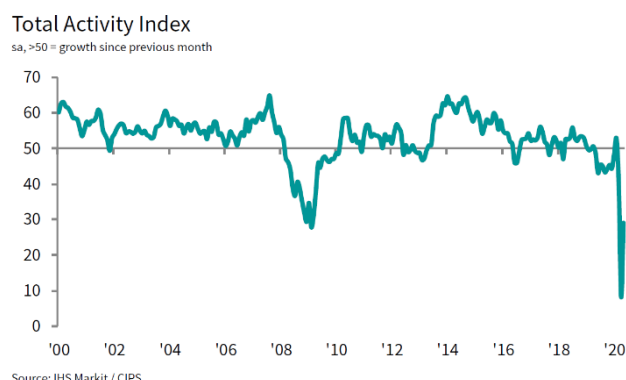


Source: Office for National Statistics – Construction Output and Employment

IHS Markit CIP UK Construction Purchasing Managers Index for April 2020

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

- At 28.9 in May, the headline seasonally adjusted IHS Markit/CIPS UK Construction Total Activity Index picked up from 8.2 in April, but was the second-lowest since February 2009. The latest survey highlighted a softer pace of decline than the record slump seen in the previous month, largely reflecting a gradual reopening of construction sites as lockdown measures were eased in England.
- Residential work was the most resilient category in May (index at 30.9), followed by civil engineering (28.6). Commercial building also fell at a slower pace during the latest survey period, but was the worst performing broad area of construction (26.2).
- The latest data indicated that cuts to staffing numbers moderated since April. However, there were again widespread reports that redundancies would have been far more severe without the use of the government's jobs retention scheme.
- Supply chain disruptions were frequently reported by survey respondents in May, with lead times for construction products and materials continuing to lengthen at a rapid pace. A number of firms commented that a lack of capacity for deliveries and ongoing business closures had resulted in the need to source alternative suppliers, which had also pushed up costs.



Covid-19 Intelligence

ONS published further information from their fortnightly [Business Impact of Coronavirus Survey](#) (BICS). Businesses were asked for their experiences for the reference period 4 May to 17 May 2020, but for questions regarding expectations in the next two weeks businesses may respond from the point of completion of the questionnaire (18 May to 31 May 2020):

- 19% of construction firms said they had temporarily closed or paused trading, including 22% of SMEs and 6% of large firms. 35% of construction firms which had temporarily paused trading said they intended to restart trading in the next two weeks.
- 4% of construction firms which had not permanently stopped trading said they had no cash reserves. 35% said that they had cash reserves, but these would last less than three months.
- 40% of construction firms still trading said their turnover had decreased by more than 50%. A further 37% said turnover had decreased but by less than 50%.
- 48% of construction firms said that they were laying off staff in the short term and 38% said they were decreasing working hours. 90% said they had applied for the Coronavirus Job Retention Scheme (furlough) and 55% were deferring VAT payments.

HMRC published experimental statistics about the [Coronavirus Job Retention Scheme](#) in June 2020:

- By 31st May 145,400 construction employers (equivalent to a PAYE scheme) had furloughed 679,600 staff, with the total value of claims at £1.8 billion.

HMRC have also published experimental statistics on the [Self-Employment Income Support Scheme](#) (SEISS) in June 2020:

- Construction is the sector with the highest number of potentially eligible individuals (1.1million) and the highest proportion of claims (75%).
- By 31st May self-employed construction workers had made 800,000 claims for SEISS totalling £2.9bn, an average of £3,600 per claimant. This was the second highest average value behind the finance and insurance activities sector at £4,200.

Construction Output Forecasts for 2020, 2021 and 2022

Experian published their Spring 2020 [forecasts](#) for the construction sector in April 2020:

- Output is expected to fall by 25.3% in 2020, due to the impact of Covid-19. It will then grow by 14.8% in 2021 and 4.0% in 2022 to around the level seen in 2015.
- The worst hit sector is private commercial new construction which is forecast to fall by 34% in 2020, followed by growth of 18% in 2021. Private industrial new construction is forecast to fall 31% in 2020, before growth of 16% in 2021. Public non-housing new construction is forecast to fall by 19% in 2020, followed by growth of 12% in 2021.
- Infrastructure new construction is forecast to fall by 18% in 2020, before recovering with growth of 18% in 2021. The forecast was made before the recent announcement that HS2 work could restart on site. Private new housebuilding is forecast to fall by 30% in 2020 before growth of 18% in 2021 and Public new housebuilding is forecast to fall by 26% in 2020 before growth of 14% in 2021.

The **Construction Products Association** have published scenarios for construction as part of their analysis of the [market impact](#), with the main scenario including a relaxation of social distancing restrictions from mid-May and a recovery in construction activity from June:

- Overall, construction output is anticipated to fall by 25% in 2020. This is seen across all sectors, with private new housing the worst hit with a fall of 42%. Private new commercial is expected to fall by 36%. The least affected new work sectors are infrastructure (-9%) and public non-housing (-6%).
- In 2021, construction output is expected to rise by 26%. All sectors are expected to rise with infrastructure seeing the biggest increase of 40% due to HS2 works gaining notice to proceed. Private new housing is expected to see the second biggest increase of 36%, due to improving economic conditions and government stimulus through the extension of Help to Buy and incentives for affordable housing. Despite this recovery, output in 2021 is expected to be 6% lower than in 2019.

Bank of England Summary of Business Conditions

The **Bank of England** published its latest update to the [Agents' Summary of Business Conditions](#) on 26th March 2020, covering intelligence gathered in the first few weeks of March 2020 in order to reflect the latest conditions due to the Covid-19 pandemic. Prior to that point, companies had generally reported some modest improvement in some parts of the economy and the outlook during January and February 2020.

- Construction project postponements and staff absences due to self-isolation or illness are expected to weigh on output in the near future. There has been some evidence of projects being postponed, either due to economic uncertainty or because of delays caused by planning office closures. Some contacts reported delays on construction sites due to staff absence. This meant that some projects might take longer to complete. There were also some concerns that a deterioration in housing market activity would weigh on housebuilding. By contrast, there was some evidence of strong activity in office construction.
- There has been a marked deterioration in housing market sentiment in recent weeks. Contacts said that the economic uncertainty as a result of the pandemic had deterred buyers and sellers, bringing transactions to a halt. Developers said that sentiment in the market for new homes has also cooled. The number of visitors to show homes and marketing suites has fallen over the past two weeks.
- Up until the middle of March, contacts had been reporting strong investor and occupier demand for office space in the larger UK cities. Demand from investors and occupiers for distribution and warehousing premises was also robust. However, there was growing evidence that uncertainty about the outlook, difficulties with valuations and travel restrictions relating to the Covid-19 virus had led to some transactions stalling. Commercial landlords reported that tenants were requesting rent holidays.

Building Materials

The latest [Monthly Statistics of Building Materials and Components](#) were published by **BEIS** on 3rd June 2020.

- Brick deliveries in April 2020 fell by 86.4% compared with April 2019 and by 81.2% compared with March 2020. Brick production in April 2020 fell by 97.7% compared with April 2019 to 4 million bricks, the lowest level since the series began in June 1945.
- Concrete block deliveries in April 2020 fell by 81.8% compared with April 2019 and by 78.2% compared with March 2020. Block production in April 2020 fell by 91% compared with April 2019 to 534 thousand square metres, the lowest level since the series began in January 1967.
- Annual materials price inflation in April 2020 was -1.0%, unchanged since March. Annual materials price inflation for different types of construction varied from -2.2% for repair and maintenance to -0.6% for new housing. The biggest price increase was for pipes and fittings (flexible) which rose by 5.7% compared with April 2019. The biggest decrease was for electric water heaters which fell by 12.3% over the same period.

Builders Merchant Building Index

The [Builders Merchant Building Index](#) for March 2020 was published by the **Builders Merchants Federation** and **GfK** in May 2020.

- Total Builders' Merchant sales in March were down 15.1% compared with March 2019. Just two categories rose in the period, Workwear & Safetywear (+36.5%) and Miscellaneous (+32.1%). All other categories fell, with the largest falls occurring for Tools (-26.8%), Plumbing, Heating & Electrical (-19.2%) and Timber & Joinery Products (-18.8%). Average sales per day fell by 19.0%.
- Compared with February, sales in March were 3.5% lower despite having two more trading days. Three categories saw increases in the period, Miscellaneous (+32.8%), Workwear & Safetywear (+8.8%), and Landscaping (+5.9%). All other categories fell, led by Renewables & Water Saving (-20.6%), Tools (-16.8%) and Plumbing, Heating & Electrical (-15.6%). Average sales per day fell by 12.3%.
- Sales in Q1 2020 were 6.7% lower than in the same quarter a year earlier. Four categories rose in the period, led by Workwear & Safetywear (+24.2%). All other categories fell, in particular Tools (-12.7%) and Timber & Joinery Products (-11.1%). Sales in Q1 2020 also fell compared with Q4 2019, albeit only by 0.8% although average sales per day fell by 8.6%.

Date of future construction output releases

<i>Release for:</i>	<i>Publication date:</i>
May 2020	14 th July 2020
June 2020	10 th August 2020
July 2020	10 th September 2020

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