

Monthly Construction Update

Business Statistics Team

9th October 2020



Department for
Business, Energy
& Industrial Strategy

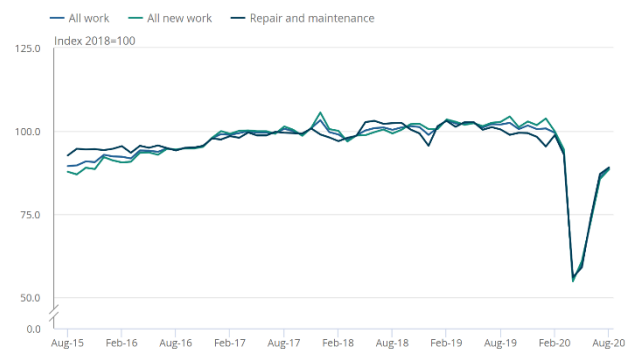
Construction Output grew by 3.0% in August 2020 and by 18.5% in the three months to August 2020

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

- Monthly construction output growth slowed to 3.0% in August 2020, following record monthly growth of 21.8% in June 2020 and growth of 17.2% in July 2020. The level of construction output in August 2020 remains 10.8% below the February 2020 level.
- Construction output grew by a record 18.5% in the three months to August 2020 compared with the previous three-month period, following 10 consecutive periods of decline; this growth was driven by record three-month on three-month growth in both new work (17.5%) and repair and maintenance (20.3%).
- The increase in new work (17.5%) in the three months to August 2020 was because of growth in all new work sectors apart from private industrial, which fell by 6.5%; the largest contributor to the growth was private new housing, which grew by a 34.9%.
- The increase in repair and maintenance (20.3%) in the three months to August 2020 was because of record growth in all repair and maintenance sectors; the largest contributor was private housing repair and maintenance, which grew by 35.6%.

Figure 2: Growth in both new work and repair and maintenance slowed in August 2020 and the level of output remains well below the February 2020 level

Monthly index, chained volume measure, seasonally adjusted, Great Britain, August 2015 to August 2020



Source: Office for National Statistics – Construction Output and Employment

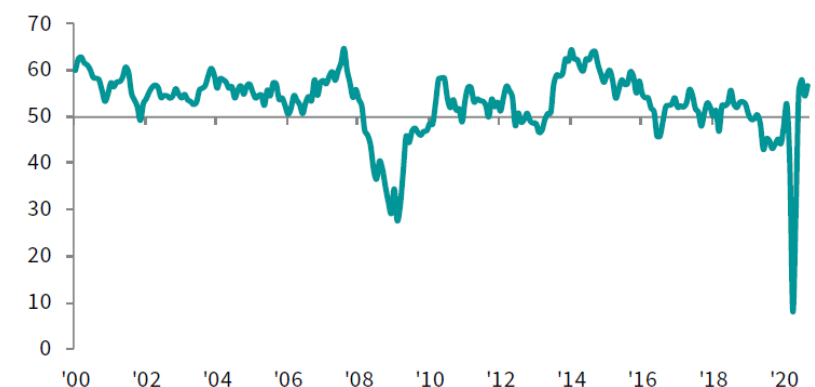
IHS Markit CIP UK Construction Purchasing Managers Index for September 2020

IHS Markit CIPS published their latest [construction purchasing managers index](#) for August on 6th October 2020.

- The headline seasonally adjusted IHS Markit/CIPS UK Construction Total Activity Index registered 56.8 in September, up from 54.6 in August. Any figure above 50.0 indicates growth of total construction output. The latest reading pointed to a reacceleration in the rate of activity growth and a sharp increase overall.
- Underlying data revealed varied results across the three monitored sub-sectors. The strongest performing

Total Activity Index

sa, >50 = growth since previous month



Source: IHS Markit / CIPS.

category was home building, where firms registered a sharp expansion in activity for the fourth month running. Work undertaken on commercial projects also rose strongly, increasing at quickest pace for over two years. Meanwhile, civil engineering activity fell for the second month running and at the sharpest rate since May.

- New orders rose for the fourth time in as many months, with panellists continuing to mention a release of pent-up demand. The latest increase was the strongest since just before the escalation of coronavirus disease 2019 (COVID-19) pandemic.
- In line with the rise in new work, UK construction firms recorded another marked increase in purchasing activity at the end of third quarter. The rate of growth accelerated to the fastest since October 2015.
- On the employment front, staff numbers continued to fall in September. However, the rate of workforce contraction eased to the slowest for seven months. Meanwhile, cost burdens faced by building companies continued to rise. That said, the rate of inflation eased for the first time in six months to the weakest since May. Confidence towards the 12-month business outlook was the strongest since February.

Covid-19 Intelligence

ONS published further information from their fortnightly [Business Impact of Coronavirus Survey](#) (BICS) on 24th September. Businesses were asked for their experiences for the reference period 24th August to 6th September 2020.

- 9.6% of all construction firms surveyed said they had temporarily closed or paused trading. Weighted by employment, the equivalent figure was 1.5%. 7.1% of all construction firms said that they had started trading within the last two weeks after a pause in trading.
- Weighted by turnover, 3.7% of construction firms still trading said their turnover had decreased by more than 50%. A further 36.3% said turnover had decreased but by less than 50%.
- 5.1% of construction firms which had not permanently stopped trading said they had no cash reserves. 31.0% said they had cash reserves, but these would last less than three months.
- The average proportion of the workforce on partial or furlough leave was 9.5% for construction businesses still trading. 82.9% of construction businesses who had not permanently stopped trading said they had applied for the Coronavirus Job Retention Scheme (furlough) and 43.9% were deferring VAT payments.

HMRC updated experimental statistics about the [Coronavirus Job Retention Scheme](#) on 18th September 2020. Updated information will be published on 22nd October:

- In construction, furloughing peaked on 14 April with 721,000 employments furloughed, falling to 403,000 employments on 30 June and 277,000 (provisional figure, 22% of those eligible) at the end of July. This was the largest proportionate decrease from the peak across all sectors (62%) except for energy production and supply but that sector had far fewer employments furloughed. The total value of claims up to 31st July was £3.2 billion.

HMRC also updated experimental statistics on the [Self-Employment Income Support Scheme](#) (SEISS) on 18th September 2020. A further update will be published on 22nd October:

- Construction is the sector with the highest number of potentially eligible individuals (1.1 million) for the second SEISS grant.

- By 31st August, self-employed construction workers had made 693,000 claims for the second SEISS grant totalling £2.1bn, an average of £3,100 per claimant. This was the second highest average value behind the finance and insurance activities sector at £3,600.

Construction Output Forecasts for 2020, 2021 and 2022

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

- Output is expected to fall by 24.4% in 2020, due to the impact of Covid-19. It will then grow by 13.9% in 2021 and 8.6% in 2022 to around the level seen in 2016.
- The worst hit sectors are private and public new housing, which are expected to fall by 35% and 38% respectively in 2020. However, both are expected to recover by 25% in 2021 and 10% in 2022. Private commercial new work is forecast to fall by 30% in 2020, with growth of 14% in 2021 and 8% in 2022 only taking the sector back to 2013 levels, due in particular to declines in the retail sector. Private industrial new work is forecast to fall by 16% in 2020, but growth of 13% in 2021 and 5% in 2022 sees the sector returning to 2019 levels.
- Infrastructure new construction is forecast to fall by 14% in 2020, before recovering with growth of 7% in 2021 and 15% in 2022. The strongest driver of growth through the period from 2019 to 2022 is the HS2 project in the rail sector. Public non-housing new work is expected to fall by 19% in 2020, followed by growth of 1% and 6% in 2021 and 2022 respectively, still below the 2019 level.

The **Construction Products Association** have published scenarios for construction as part of their analysis of the [market impact](#) in August 2020, with the main scenario including a relaxation of social distancing restrictions from mid-May and a recovery in construction activity from June:

- Despite activity on site returning slightly quicker than initially expected post-lockdown, the CPA Summer Scenarios still anticipates construction output in 2020 to fall by 20.6%, with the worst affected sectors including private housing (-33%) and commercial (-29%).
- Construction output is anticipated to rise by 18.0% overall in 2021, however this is compared with a low base of activity in 2020 and will still be 6.4% lower than pre-coronavirus levels. The delivery of major infrastructure projects will be crucial to growth in 2021, with activity on site less affected by social distancing and major projects like HS2 driving significant growth for the sector.

Building Materials

The latest [Monthly Statistics of Building Materials and Components](#) were published by **BEIS** on 7th October 2020.

- There was a 7.6% decrease in brick deliveries in August 2020 compared to August 2019, according to the seasonally adjusted figures. The month-on-month change shows a 5.6% increase in August 2020.
- There was a 1.6% decrease in concrete block deliveries in August 2020 compared to August 2019, according to the seasonally adjusted figures. The month-on-month change shows a 2.5% increase in August 2020.

- Annual materials price inflation in August 2020 was 0.5%, up from 0.1% in July. Annual materials price inflation for different types of construction varied from 0.5% for new housing and repair and maintenance to 0.0% for other new work. The biggest price increase was for pipes and fittings (flexible) which rose by 5.8% compared with August 2019. The biggest decrease was for concrete reinforcing bars which fell by 9.1% over the same period.

Builders Merchant Building Index

The [Builders Merchant Building Index](#) for July 2020 was published by the **Builders Merchants Federation** and **GfK** on 22nd September 2020.

- The strong post-Covid-19 recovery seen in May and June continued in July, with total Builders Merchants value sales only 1.3% below July 2019. Landscaping (+25.4%) did best, with Workwear & Safetywear (+21.3%) close behind. Timber & Joinery Products was up 1.5%. Other categories all sold less, with 'inside' trades particularly affected, including Decorating (-8.9%), Kitchens & Bathrooms (-13.6%) and Plumbing Heating & Electrical (-15.8%).
- Total Merchants sales in July were 8.7% higher than in June, helped by one more trading day this month. Workwear & Safetywear (+34.1%) was the top performer. Although behind year-on-year, sales of Kitchens & Bathrooms (+27.3%) and Plumbing Heating & Electrical (+22.1%) grew strongly compared with June. Largest category Heavy Building Materials was up 8.0% compared with a strong surge in June. Landscaping (-6.9%) was the only category that sold less. Average sales a day, which takes trading day differences into account, were 4.0% higher in July than in June.
- In the first seven months of 2020, total sales were down 20.4% compared with January to July 2019. Workwear & Safetywear (+1.2%) was the only category that sold more. Tools (-32.0%, Kitchens & Bathrooms (-28.6%) and Plumbing Heating & Electrical (-27.3%) were weakest. Average sales a day in the period were down 20.9%, with one more trading day this year.

Date of future construction output releases

<i>Release for:</i>	<i>Publication date:</i>
September 2020	12 th November 2020
October 2020	10 th December 2020