

Monthly Construction Update

Business Statistics Team

15th January 2021



Department for
Business, Energy
& Industrial Strategy

Restrictions aimed at curbing the spread of Covid-19 have been tightened substantially across the United Kingdom in recent weeks. Consequently, much of the data on which this update is based was collected during periods in which the restrictions differed from those currently in place.

Construction output grew by 1.9% in November 2020 and by 12.4% in the three months to November

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

- Construction output grew by 1.9% in the month-on-month all work series in November 2020, because of a 3.5% increase in new work, offsetting a 0.6% fall in repair and maintenance. This was the seventh consecutive month of growth since the 40.7% decline in April 2020.
- The level of construction output in November 2020 was 0.6% above the February 2020 level, with repair and maintenance work 7.4% above and new work 3.1% below its pre-pandemic level.

Figure 1: The monthly index in November 2020 shows the level of construction output recovered above its February 2020 level for the first time

Monthly all work index, chained volume measure, seasonally adjusted, Great Britain, January 2010 to November 2020



- The monthly increase in new work (3.5%) in November 2020 was because of growth in all new work sectors apart from public new housing and public other new work, which fell by 2.4% and 2.8% respectively.
- Construction output grew by 12.4% in the three months to November 2020 compared with the previous three-month period, because of growth in both new work (11.9%) and repair and maintenance (13.2%).

IHS Markit CIP UK Construction Purchasing Managers Index for December 2020

IHS Markit CIPS published their latest [construction purchasing managers index](#) for December on 7th January 2021.

- UK construction companies recorded a sustained rebound in business activity during December 2020 according to the latest PMI data. Stronger order books helped drive the recovery across the sector, with survey respondents often citing work on projects that had been delayed earlier in the year. Higher levels of demand led to a slight rise in employment and demand for construction inputs. But, stretched supply chains and delays at ports led to longer delivery times and the fastest rise of input cost inflation since April 2019.
- Total Activity Index
sa, >50 = growth since previous month

Source: IHS Markit / CIPS.
- At 54.6 in December, little changed from 54.7 in November, the headline seasonally adjusted IHS Markit/CIPS UK Construction Total Activity Index registered above the 50.0 no-change value for the seventh consecutive month growth.
 - Increased construction activity primarily reflected another sharp rise in house building during December (index at 61.9). Commercial activity also expanded (51.2), but the rate of growth eased to its lowest levels since the recovery began last June. Civil engineering was the weakest performing category (48.0), as activity fell for the fourth time in the past 5 months.
 - Total new orders increased at a strong pace in December, extending the current expansion to seven months. Survey respondents noted increasing client demand, alongside a boost from new business wins on construction projects deferred since the start of the pandemic.
 - Purchasing prices increased at the steepest rate for just under two years, reflecting supply shortages and strong demand for construction inputs.
 - December data also indicated a return to job growth in the construction sector, though the rate of increase was marginal. Additional hiring reflected forthcoming new projects and improved confidence in the business outlook.

Business Insights and Impact on the UK economy

The Office of National Statistics published [Business insights and impact on the UK economy](#), on 14th January, based on responses from the voluntary fortnightly business survey (BICS). Businesses were asked for their experiences for the reference period 29th December 2020 to 10th January 2021.

- Weighted by count, 12.0% of all construction firms surveyed said they had temporarily closed or paused trading and did not intend to restart in the next two weeks. Some 14.9% had paused trading but intended to re-start in the next two weeks. A further 3.9% said that they had started trading within the last two weeks after a pause in trading.

- Weighted by turnover, 3.5% of construction firms still trading said turnover had decreased by more than 50%. A further 29.9% said turnover had decreased, but by less than 50%.
- Weighted by turnover, 6.0% of construction firms which had not permanently stopped trading said they had no cash reserves. 34.1% said they had cash reserves, but these would last less than three months.
- Weighted by employment, the average proportion of the workforce on partial or furlough leave was 3.1% for construction businesses still trading.
- Weighted by count, 36.0% of construction businesses that had not permanently stopped trading said they were using, or intending to use, the Coronavirus Job Retention Scheme (furlough).
- Weighted by count, 11.7% of construction businesses that had not permanently stopped trading said they had no or low confidence they would survive the next 3 months, whilst 44.9% had moderate confidence.
- Weighted by count, 4.6% of currently trading construction businesses said they were not prepared for the end of the EU transition period, 11.8% said they were somewhat prepared, 7.4% said they were fully prepared and 72.3% said it was not relevant for their business.

HMRC updated experimental statistics about the [Coronavirus Job Retention Scheme](#) on 17th December 2020.

- In construction, furloughing peaked on 14 April with 724,000 employments furloughed, falling to 596,000 on 31st May, 404,000 on 30 June, 300,000 on 31st July, 204,000 on 31st August, 163,000 on 30th September and 131,000 on 31st October. The total value of claims up to 31st October was £3.8 billion.

HMRC also published further experimental statistics on the [Self-Employment Income Support Scheme](#) (SEISS) on 25th November 2020.

- Construction is the sector with the highest number of potentially eligible individuals (1.1 million) for the second SEISS grant.
- By 31st October, self-employed construction workers had made 800,000 claims for the second SEISS grant, totalling £2.4bn, 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 Winter 2020/21 [forecasts](#) for the construction sector in January 2021:

- All construction sectors are estimated to have seen a decline in output in 2020 as projects struggled to put in place Covid-19 safety protocols, especially during the first national lockdown in the second quarter of the year. However, the falls were by no means uniform, with some sectors faring relatively better than others.
- Construction output is expected to fall by 16.6% in 2020 and then grow by 11.5% in 2021 and 7.6% in 2022.
- Total new work is forecast to fall by 17% in 2020, and then recover by 13% in 2021 and 8% in 2022. Total housing, private industrial and private commercial sub-sectors are all forecast to fall by between 21% and 23% in 2020. Infrastructure is forecast to experience the smallest fall of the subsectors in 2020 (5%).
- Repair and maintenance is forecast to fall by 15% in 2020 before recovering by 9% in 2021 and 6% in 2022.

The **Construction Products Association** have published scenarios for construction as part of their analysis of the [market impact](#) in October 2020.

- The CPA main scenario for construction output in 2020 anticipates a 14.5% fall as the construction industry shows promising signs of recovery from the coronavirus pandemic. Demand for new private housing and private housing repair, maintenance and improvement (rm&i), as well as strong growth in the infrastructure sector, are expected to support recovery for the industry towards the end of this year and into the next following historic falls in output during lockdown.
- The prospects, however, of both a deterioration in labour market conditions along with a potential ‘No Deal’ Brexit deal at the end of December mean that the upcoming winter will be decisive for how far such a recovery can be sustained.
- Construction output is anticipated to rise by 13.5% in 2021 following the sharpest fall on record in 2020.

Builders Merchant Building Index

The [Builders Merchant Building Index](#) for quarter 3 2020 was published by the **Builders Merchants Federation** and **GfK** on 23rd November 2020.

- Total Builders’ Merchants’ sales up by 63.2% in Quarter 3 2020 compared to Quarter 2 2020 (+53.2% when adjusted for trading days in each quarter). September 2020 sales increased by 8.3% compared to September 2019, albeit with one extra trading day.
- Total Builders’ Merchants’ sales in Q3 2020 saw growth of 1.0% compared to Q3 2019. Of the two largest categories, Timber & Joinery grew by 3.5% in value from Q3 2019, while Heavy Building Materials saw a decrease of 1.0%.
- Landscaping was the big winner with year-on-year sales growth of 24.2% in value, with performance driven by Decking, Garden Walling / Paving and Fencing & Gates, which all saw substantial growth from last year. Timber was the key driver in Timber & Joinery growth, with Cladding also contributing. Heavy Building Materials’ small decline was due to a mix of single digit increases and decreases across the board, with Aggregates, Bricks, Cement and Roofing Products the best performing subcategories.
- Year on year sales declined in some categories, with both Plumbing, Heating & Electrical (-11.9%) and Kitchens & Bathrooms (-7.1%) down on Q3 2019.

Date of future construction output releases

<i>Release for:</i>	<i>Publication date:</i>
December 2020	10 th February 2021
January 2021	12 th March 2021
February 2021	13 th April 2021