

Monthly Construction Update

Business Statistics Team

12th August 2021



Department for
Business, Energy
& Industrial Strategy

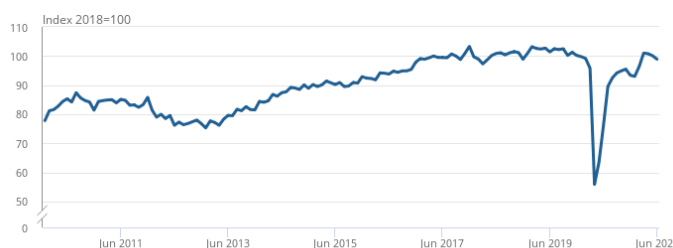
Construction output fell by 1.3% in June 2021 but rose by 3.3% in Q2 2021

The **Office for National Statistics** published a provisional estimate of [construction output](#) for June 2021 this morning:

- Monthly construction output fell by 1.3% in June 2021, because of a decline in repair and maintenance (4.2%) offset by a small increase in new work (0.5%).
- Construction output in June 2021 was 0.3% (£39 million) below the February 2020 pre-coronavirus (COVID-19) pandemic level; new work was 2.1% (£188 million) below this level, while repair and maintenance was 3.1% (£149 million) above.
- In contrast to the monthly fall, quarterly construction output grew by 3.3% in Quarter 2 (Apr to June) 2021 compared with Quarter 1 (Jan to Mar) 2021; both new work (3.9%) and repair and maintenance (2.3%) saw increases.
- Total construction new orders grew by 17.6% (£1,998 million) in Quarter 2 2021 compared with Quarter 1 2021; total new orders recovered in Quarter 2 2021 to above its pre-pandemic level for the first time at 1.6% (£214 million) above the Quarter 1 2020 level.
- The annual rate of construction output price growth was 3.4% in June 2021; this was the strongest annual rate of construction output price growth since August 2019 (3.5%).

Figure 1: The monthly index shows the level of construction output in June 2021 fell below its pre-pandemic February 2020 level

Monthly all work index, chained volume measure, seasonally adjusted, Great Britain, January 2010 to June 2021



Source: Office for National Statistics - Construction Output and Employment

Gross Domestic Product grew by 1.0% in June 2021 and by 4.8% in Q2 2021

The **Office for National Statistics** published their estimates of GDP for [June 2021](#) this morning:

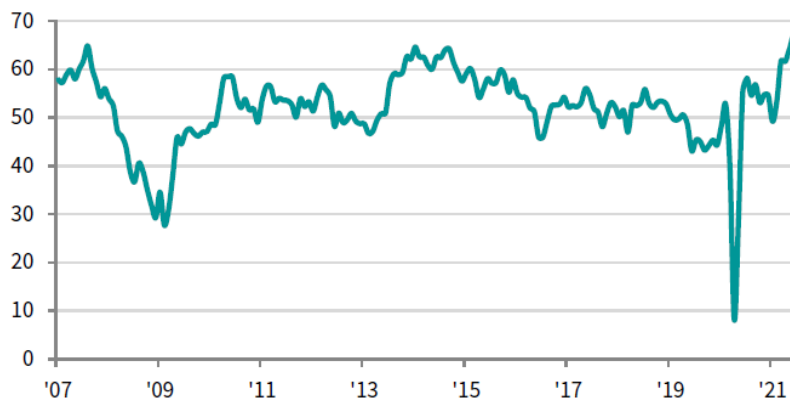
- GDP is estimated to have grown by 1.0% in June 2021, the fifth consecutive month of growth, but remains 2.2% below the pre-coronavirus (COVID-19) levels seen in February 2020.
- The service sector grew by 1.5% in June 2021 – food and beverage service activities grew by 10.1% as restaurants and pubs benefitted from their first full month of indoor dining following the easing of coronavirus restrictions.
- Output in the production sector fell by 0.7 in June 2021, as planned temporary maintenance closures of oil field production sites hit output.

IHS Markit CIP UK Construction Purchasing Managers Index for July 2021

IHS Markit CIPS published their latest [construction purchasing managers index](#) for July 2021 on 5th August 2021.

- The recovery in UK construction output has lost some momentum, according to the latest PMI data. The latest reading signalled the slowest overall increase in construction output since February.

IHS Markit / CIPS UK Construction PMI Total Activity Index
sa, >50 = growth since previous month



Sources: IHS Markit, CIPS.

- The headline seasonally adjusted IHS Markit/CIPS UK Construction PMI® Total Activity Index registered 58.7 in July, down sharply from June's 24-year high of 66.3 but still well above the crucial 50.0 no-change threshold.
- House building was the best-performing category in July (index at 60.3), followed closely by commercial building (59.2). In both cases, the rate of expansion was the weakest since February. Civil engineering activity (55.0) followed the momentum seen elsewhere in the construction sector during July, with growth easing sharply since June and the lowest for five months.
- A rapid pace of input cost inflation continued in July, fuelled by supply shortages and robust demand for construction items. Higher charges among sub-contractors and difficulties filling staff vacancies also added to price pressures. Around 66% of the survey panel reported longer wait times for supplier deliveries in July, while only 2% signalled an improvement in vendor performance. The resulting index signalled widespread supply chain delays, although the latest reading was up from June's record low and the highest for three months. Survey respondents noted that supply imbalances were amplified by a lack of transport availability, port congestion, and Brexit trade frictions.

Business Insights and Impact on the UK economy

The Office of National Statistics published [Business insights and impact on the UK economy](#) this morning, based on responses from the voluntary fortnightly business survey (BICS).

- Between 26th July and 8th August 2021, weighted by count, 4.1% of all construction firms surveyed said they had paused trading and did not intend to restart in the next two weeks.
- Between 12th July and 25th July 2021, weighted by turnover, 2.6% of construction firms still trading said turnover had decreased by more than 50%. A further 19.2% said turnover had decreased, but by less than 50%.

- Between 12th July and 25th July 2021, weighted by count, 49.5% of construction firms currently trading said that prices had increased more than normal. 17.7% said that prices had not changed any more than normal and 5.8% said that some prices had increased and some had decreased.
- Between 12th July and 25th July 2021, weighted by employment, the average proportion of the workforce on partial or furlough leave was 1.2% for construction businesses that had not permanently stopped trading. Of these, 45.8% were fully furloughed.

HMRC updated experimental statistics about the [Coronavirus Job Retention Scheme](#) on 2nd August 2021.

- In construction, furloughing peaked on 14 April 2020 with 724,000 employments furloughed, falling to 131,000 on 31st October, before rising to 246,000 on 31st January 2021. On 28th February 2021 there were 231,000 furloughed employments, falling to 198,000 on 31st March, 167,000 on 30th April and 140,500 (revised) on 31st May. The latest published figure is 129,600 on 30th June, the lowest level since the scheme began.
- The total value of claims up to 30th October 2020 was around £3.8 billion. The provisional value of claims between 1st November 2020 and 30th June 2021 was around £1.4 billion.

HMRC published further experimental statistics on the [Self-Employment Income Support Scheme](#) (SEISS) on 1st July 2021.

- Construction is the sector with the highest number of potentially eligible individuals (1.0 million) for the fourth SEISS grant.
- By 6th June 2021, self-employed construction workers had made 647,000 claims for the fourth SEISS grant, totalling £2.2bn, an average of £3,500 per claimant. This was the second highest average value behind the finance and insurance activities sector at £3,900.

Construction Output Forecasts for 2021 and 2022

Experian published their Spring 2021 [forecasts](#) for the construction sector in April 2021:

- The construction sector recovered relatively rapidly compared to other sectors of the economy in the second half of 2020, though suffered an overall decline in output of 14% in 2020.
- Construction output is expected to grow by 11.3% in 2021 and by 5.2% in 2022, with 2019 output levels reached in early 2022.
- All sectors within construction will see a similar pattern of recovery, with the bulk of the rebound seen in 2021 and the pace of growth beginning to revert to trend from 2022, though there are notable differences in the relative pace of expansion and associated risks.
- The public housing sector will see 7.7% Average Annual Growth (AAG) in output between 2020 and 2023. The AAG forecast is 9.5% for private housing over the same period, 7.6% for infrastructure and 4.7% for the public non-housing sector.

The **Construction Products Association** published scenarios for construction as part of their analysis of the [market impact](#) in April 2021.

- The CPA forecasts that it will be next year before the industry recovers the output lost in 2020 and returns to 2019 levels. It also highlights significant risks to the construction sector's recovery from 2021, including supply constraints for key imported construction products and uncertainty around demand for housing new builds, and repair, maintenance and improvements works (rig) and commercial space.
- Construction output is forecast to rise by 12.9% in 2021 and 5.2% in 2022 compared with 14.0% in 2021 and 4.9% in 2022 in the CPA's winter main scenario. The downward revision to the growth forecast for 2021 reflects a higher base for construction output in 2020, with official data reporting a smaller fall than initially anticipated of 12.5% in 2020 compared to 2019. The UK economy faltered in 2021 Q1 due to the impacts of the third national lockdown on the services sector that accounts for 81% of UK GDP. For construction, however, activity accelerated in the first quarter of the year, although the story varies amongst its various sectors.
- Infrastructure was least affected by the initial lockdown as it was considerably easier to enact site operating procedures and other safety measures on large sites. In 2021, output is set to increase by 29.3%, reaching its highest level on record. This will be driven by activity on major projects such as HS2, despite the announcement of further delays and cost overruns, as well as activity on long-term frameworks in regulated sectors such as water, roads, electricity and broadband.

Gross Domestic Product Forecasts

The latest monthly **Consensus Economics** [forecast survey](#) (which uses an average of private sector forecasts) results were published in July 2021.

- The mean GDP forecast for 2021 is 6.8% growth, up from 6.6% growth in the previous month's survey.
- The mean GDP growth forecast for 2022 is 5.3%, unchanged since the previous month's survey.

The **OECD** updated their [Economic Outlook](#) in May 2021:

- UK GDP is projected to grow by 7.2% in 2021 and grow by 5.5% in 2022.
- Global GDP is projected to rise by around 6.0% in 2021 after a 3.5% contraction in 2020, bringing most of the world back to pre-pandemic GDP levels by the end of 2022. GDP is projected to grow by 7.1% in 2021 and grow by 5.5% in 2022.
- The global economy remains below its pre-pandemic growth path and in many OECD countries, living standards by the end of 2022 will not be back to the level expected before the pandemic.

Bank of England Summary of Business Conditions

The **Bank of England** published its latest update to the [Agents' Summary of Business Conditions](#) on 24th June 2021, covering intelligence gathered between mid-April and early June 2021.

- Construction output picked up sharply from earlier in the year, driven by housebuilding and public infrastructure projects, but there were some concerns that materials shortages could limit output.
- Construction of new homes continued to be strong, with demand supported by the extension of the transaction tax holiday in some parts of the UK and the growing availability of high loan to value mortgages. Home improvement and repair and maintenance activity also supported output.
- Public infrastructure projects continued to support construction output – in particular school and transport developments – and contacts reported a good pipeline of publicly funded work. Looking ahead, contacts also expected green energy projects to support growth.
- By contrast, private commercial work remained substantially weaker than a year ago, in particular for retail, hospitality, higher education and office developments. However, construction of logistics, warehousing and technology premises remained strong.
- Contacts reported severe materials shortages, including for cement and timber, and there were some concerns about shortages limiting output. Labour shortages were also an issue for some contacts.

Building Materials

The latest [Monthly Statistics of Building Materials and Components](#) were published by **BEIS** on 4th August 2021.

- The all work material price index increased by 14.7% in June 2021 compared to June 2020. Imported plywood saw annual inflation of 66.6%, with fabricated structural steel prices increasing by 53.3% in the year.
- There was a 3.6% increase in brick deliveries in June 2021 compared to February 2020 (before the start of national restrictions due to the Covid-19 pandemic), according to the seasonally adjusted figures. The month-on-month change was 0.0% in June 2021.
- There was a 4.2% decrease in concrete block deliveries in June 2021 compared to February 2020 according to the seasonally adjusted figures. The month-on-month change shows a 4.9% increase in June 2021.

Builders Merchant Building Index

The [Builders Merchant Building Index](#) for May 2021 was published by the **Builders Merchants Federation** and **GfK** on 19th July 2021.

- Total Builders' Merchants' sales in May 2021 were 79.6% higher compared to May 2020 and 7.9% higher than May 2019. Compared with April 2021, sales in May 2021 were 6.1% lower, with one fewer trading day.
- Compared to May 2020, Tools (+180.0%) followed by Kitchens & Bathrooms (+154.9%), did best. Other categories performing well were Plumbing, Heating & Electrical (+118.1%) and Timber & Joinery Products (+115.1%). Work and Safetywear (+43.9%) was the weakest category.

- Compared to May 2019, only three of the twelve categories sold more, led by Timber & Joinery Products (+28.1%) and Landscaping (+26.5%). The remaining nine categories sold less, including Tools (-5.0%), Plumbing Heating & Electrical (-5.4%) and Decorating (-6.8%).
- All categories sold less in May 2021 than in April 2021. Six categories did better than Total Merchants, with Timber & Joinery Products and Kitchens & Bathrooms doing best, although both down by -1.8%. Landscaping (-14.2%) was weakest. Average sales a day in May were 1.2% lower than April.
- May 2021's BMBI index was 141.4, behind March 2021's record breaking 151.9. Nine of the twelve categories exceeded 100. Seasonal category Landscaping (220.5) was significantly ahead, with Timber & Joinery Products (173.2) the second strongest. Tools (98.2), Workwear & Safetywear (95.8) and Renewables (72.7) fell back.

Expected dates for future construction output releases	
<i>Release for:</i>	<i>Publication date:</i>
July 2021	10 th September 2021
August 2021	13 th October 2021
September 2021	11 th November 2021

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