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Thirteenth Consecutive Quarter of Construction Growth but Pessimism Dominates the Outlook

The Construction Product Association's latest State of Trade Survey reports continued growth in sales of construction products in the second quarter of 2016. Sales increased for a thirteenth consecutive quarter, but manufacturers displayed a growing pessimism about prospects for the coming year ahead, even though 75% of responses were received prior to the EU referendum.

Rebecca Larkin, CPA Senior Economist, said: "Construction product manufacturers' sales growth strengthened in Q2, suggesting that construction activity remained resilient against a backdrop of growing uncertainty in the run-up to the EU referendum at the end of the quarter.

"Compared to the first quarter of 2016, a balance of 52% of heavy side firms reported a rise in sales in Q2. This was the highest balance in a year and increased from 31% in Q1. On the light side, 38% of firms reported a rise in quarterly sales in Q2, up from 13% in Q1.

"However, pessimism prevailed in manufacturers' views for the months ahead, even with the majority of responses coming in before the existing economic uncertainty intensified following the referendum result. For heavy side manufacturers, sentiment was the lowest in three years and 13% of those firms anticipated a fall in sales in Q3. Among manufacturing firms on the light side, forward-looking sales expectations were the weakest since the financial crisis, with a downturn anticipated for the first time in six years.

"Sterling depreciated 8.4% against the Euro in Q2 compared to a year earlier, which may be one favourable side effect linked to the economic uncertainty pre- and post-referendum for product manufacturers that export to Europe. The majority (60%) of firms on both the heavy and light side anticipate an increase in overseas sales over the coming year."

Key survey findings include:

- A balance of 52% of heavy side firms and 31% of light side firms reported that construction product sales rose in the second quarter of 2016 compared with Q1
- On an annual basis, sales rose for 57% of heavy side firms, but no firms on the light side, on balance
- On balance, 13% of heavy side manufacturers anticipated a fall in sales in Q3, the lowest balance since 2012 Q4
- On the light side, a zero balance was recorded for expectations in Q3, whilst 14% expected a decline in product sales over the next 12 months
- 60% of firms on both the heavy and light side anticipated an increase in export sales over the next year
- Annual cost increases were reported by 41% of heavy side manufacturers and 29% of those on the light side

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NOTE TO EDITORS:

The [Construction Products Association](#) represents the UK's manufacturers and distributors of construction products and materials. We are committed to raising the profile of our industry and members' businesses, helping grow the market and reducing regulatory risk. The sector directly provides jobs for 313,000 people across 21,000 companies and has an annual turnover of more than £50 billion. The Association is the leading voice to promote and campaign for this vital UK industry.

The CPA produces a range of economic reports including the quarterly Construction Industry Forecasts, Construction Trade Surveys and the State of Trade Surveys.

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