

UK construction manufacturing achieves growth for fifteenth consecutive quarter

Sales in the UK construction products manufacturing market continued to climb for a consecutive fifteenth quarter in Q4 of 2016, according to figures published in the CPA's latest State of Trade Survey.

The construction products manufacturing industry has an annual turnover of £55 billion, directly providing jobs for 288,000 people across 22,000 companies. Products range from 'heavy side' materials such as steel, bricks, timber and concrete to 'light side' products such as insulation, boilers, glass and lighting. On an annual basis, 78% of heavy side firms reported that sales had increased in Q4, whilst on the light side, 75% of firms reported that sales were higher than a year earlier, which was the highest balance since 2014 Q3.

However, as uncertainty intensifies and cost pressures from the fall in Sterling post-Referendum hit this year, the industry may struggle to experience similar growth. Among heavy side manufacturers only 6% on balance anticipate a rise in sales over 2017 Q1, and 29% on balance of light side manufacturers anticipate a rise during the same period.

Rebecca Larkin, CPA Senior Economist said: "Construction product manufacturers ended 2016 on a strong note, with half of manufacturers on both the heavy and light side reporting an increase in sales in Q4, marking not only a fifteenth consecutive quarter of growth, but also the highest balances for the year.

"Unsurprisingly, manufacturers' expectations for 2017 appear to have been tempered by the uncertainty surrounding the economic and political outlook. Heavy side manufacturers appeared most exposed to the effects of Sterling's depreciation during the second half of 2016. In Q4, two-thirds of firms reported an increase in costs, the highest in five years, and a further 89% anticipate an increase over the next year. Rising costs of imported raw materials continue to be a primary driver of cost inflation, but there is now an indication that currency weakness is filtering through to higher energy and fuel costs too.

"The impact of Brexit on the construction industry is, as yet, unclear, but it is unlikely this year will be as buoyant as last unless government is able to provide greater certainty and the industry is able to manage cost pressures."

Key survey findings include:

- On an annual basis, sales rose for 78% of heavy side firms and 75% of firms on the light side, on balance
- A balance of 50% of heavy and light side firms reported that construction product sales rose in the fourth quarter of 2016 compared with Q3
- On balance, 6% of heavy side manufacturers anticipated a rise in sales in 2017 Q1, worsening from a balance of 45% in Q3
- On the light side, 29% of firms expected an increase in product sales in the next quarter, compared to a balance of 67% in Q3
- Annual cost increases were reported by 78% of heavy side manufacturers and 71% of those on the light side

- Raw materials costs rose according to 78% of heavy side manufacturers and 88% of those on the light side
- Fuel and energy costs rose for 71% and 61% of heavy side manufacturers respectively.

ENDS

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 288,000 people across 22,000 companies and has an annual turnover of more than £55 billion. The CPA 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. All are available to members or subscribers via our website.

Much of the CPA's work is focused on serving as the first point of contact for politicians and policy makers requiring advice and information about matters that affect construction products or the wider construction industry. This includes understanding the need for investment into manufacturing or the built environment, new housing and energy-saving retrofitting of the existing housing stock; helping to develop effective, UK and EU legislation, regulations and product standards; and promoting the role of manufacturers in delivering a low carbon, resource efficient built environment.

FOR FURTHER INFORMATION CONTACT:

Rebecca Larkin, Senior Economist

Tel: 020 7323 3770

E-mail: rebecca.larkin@constructionproducts.org.uk

Emma Salmon, CPA Marketing and Communications Executive

Tel: 020 7323 3770

E-mail: emma.salmon@constructionproducts.org.uk

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