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Third Consecutive Quarter of Construction Growth in Q4

The latest Construction Trade Survey, published today, shows that construction activity rose in Q4, marking the first time in over five years that the industry recorded three consecutive quarters of growth. Firms across all areas reported increased output, including building contractors, SMEs, specialist contractors, civil engineers and product manufacturers.

Commenting on the survey, Dr Noble Francis, Economics Director at the Construction Products Association, said: "The recovery, which started in 2013 Q2, continued, though risks remain. The rises in activity were slower than in previous quarters, and orders for new work similarly decelerated, potentially highlighting uncertainty amongst contractors as to whether the recovery would be sustained.

"Growth was driven by the housing sector, though this was partially offset by a drop in repair and maintenance work. Building contractors, SMEs and civil engineers reported rises in output, although Q4 levels were not as strong as Q3. Indeed, only product manufacturers saw activity levels higher in Q4 than Q3.

"Tender prices rose again this last quarter, especially for building contractors and civil engineers. These rises, however, were mitigated by growth in cost inflation, largely owing to increased labour, energy and transport costs. As a result, most contractors reported a fall in profit margins despite the improving demand over the past 12 months.

"In addition," Dr Francis concluded, "41% of building contractors reported difficulties recruiting bricklayers and 32% reported difficulties recruiting carpenters."

Stephen Ratcliffe, Director UKCG, said: "While contractors reported a slowdown in output growth this quarter, the trend over the last year remains one of modest recovery. Unlike housing, the broader construction sector remains a lagging indicator and we would expect the main growth to come later than the wider economy.

"Rising labour costs highlight the need to tackle skills shortages as we move towards recovery, and for a clear pipeline of future work so firms have the certainty to invest in apprenticeships and other long term training programmes."

Julia Evans, Chief Executive of the National Federation of Builders added: "These figures highlight the fragility of the construction industry's recovery, which is being driven by house building. Ongoing investment and future prospects point to further growth for the construction industry as a whole but as the economy recovers, it is important for companies to be at least as vigilant about costs, cash flow and late payment as they were during the downturn."

Key survey findings include:

- Private and public new housing were the key drivers of construction growth in Q4 with balances of 20% and 32%, respectively.
- 15% of building contractors, on balance, stated that activity rose in Q4, though this was a notable drop from the 43% figure in the previous quarter.
- Building contractors reported activity drops of 13% and 15%, respectively, in housing repair and maintenance and non-housing repair and maintenance.
- 63% of building contractors reported that costs rose in Q4 versus 49% in Q3.
- A balance of 2% of building contractors reported that tender prices rose in Q4, although a balance of 14% reported that profit margins had continued to fall.
- A rise in exports over the next 12 months is expected by both heavy side manufacturers (45% on balance) and light side manufacturers (58% on balance).
- 34% of building contractors, on balance, reported increased labour costs.
  41% reported difficulties recruiting bricklayers and 32% reported difficulties recruiting carpenters.
- 76% of specialist contractors reported receiving payments between 30-60 days in Q4; late payment ranks as the most important factor affecting their business.

ENDS

NOTE TO EDITORS:

CONSTRUCTION PRODUCTS ASSOCIATION:

The Construction Products Association represents the UK's manufacturers and suppliers of construction products, components and fittings. The Association acts as a single voice for the construction products sector, representing the industry-wide view of its members. The sector has an annual turnover of more than £40 billion and accounts for over 1/3 of total construction output.

The Construction Trade Survey is one of a range of economic publications produced by the Association, including the Construction Industry Forecasts and the State of Trade Survey. These reports are available to Association members and interested parties via our website.

NATIONAL FEDERATION OF BUILDERS:

The National Federation of Builders (NFB) represents around 1,500 builders and contractors across England and Wales. In addition to providing specialist advice and business services, the federation, with a network of four regional offices, lobbies local, national and European government on a range of issues to sustain positive trading conditions for members. With origins dating back to 1876, today's NFB is a modern organisation providing the medium sized contractor and smaller builder with an unparalleled package of services.

NATIONAL SPECIALIST CONTRACTORS COUNCIL:

The National Specialist Contractors Council (NSCC) brings together the common aims of specialist trade organisations within the construction industry and is the authoritative voice of Specialist Contractors in the UK. NSCC has 29 member organisations that collectively represent over 7,000 Specialist Contractors engaged in the planning, design, construction, refurbishment and maintenance of the built environment in both the commercial and domestic sectors. By using the collective strength of the specialist sector, NSCC has the influence to make a real difference to how the UK construction industry operates.

CIVIL ENGINEERING CONTRACTORS ASSOCIATION:

The Civil Engineering Contractors Association (CECA) has over 300 member firms that carry more than 80% of all civil engineering work in Great Britain. The CECA survey of civil engineering workload trends, in which more than a third of the membership takes part, tests for changes over the past year in contractors' workload, workforce, order books, cost trends, and tender prices. It also examines the supply situation for key resources, and contractors' expectations of trends in new orders and employment in the coming 12 months.

UK CONTRACTORS GROUP:

The UK Contractors Group (UKCG) represents more than 30 leading contractors operating in the UK. Its mission is to represent contractors' interests to government and key clients and to encourage contractors to work together to promote change and best practice, especially on health and safety and environmental issues. UKCG also works closely with the CBI Construction Council to ensure that contractor's interests are properly reflected in the wider business agenda.

FEDERATION OF MASTER BUILDERS:

The Federation of Master Builders (FMB) is the UK's largest trade association in the building industry, with nearly 10,000 small and medium-sized (SME) construction firms operating across England, Wales, Scotland and Northern Ireland. Established in 1941 to protect the interests of SME building firms, the FMB is independent and non-profit-making, lobbying for members' interests at both national and local levels.

The FMB is a source of knowledge, professional advice and support for its members, providing a range of modern and relevant business building services to save them time and money. The FMB also offers advice to consumers via its "Find a Builder" service. Within its membership, around 38% of FMB members engage in house building either as their primary function or as part of the suite of building services they provide, but most are primarily active in the domestic RM&I market.

FOR FURTHER INFORMATION CONTACT:

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