

Monday 14 January 2013

Construction Growth Expected from 2014 Following Difficult Year Ahead

Construction output is forecast to fall by more than 2% this year, according to the latest forecasts published today by the Construction Products Association. These figures come on top of the sharp decline experienced in 2012, when the industry contracted by nearly 9% and indicate that recovery in the sector is still twelve months away.

Adding to the gloomy picture, figures released on Friday by the ONS for construction output in November, show there was a 3.4% decline month on month and a 9.8% decline from the same period a year ago, with the industry having lost £8 billion of work in the past twelve months.

Commenting on these forecasts, Noble Francis, Economics Director of the Construction Products Association, said: 'Public sector construction work continues to bear the brunt of the government's austerity drive and has fallen by 15% over the last two years. Our Forecasts show that it is expected to continue to fall by a further 7% this year. Unfortunately, growth from the private sector, which government hoped would compensate for this decline in public sector activity, has not materialised and it too continues to contract.

'With new orders for construction falling significantly at the end of last year, 2013 is going to be a difficult year for the construction industry with output forecast to fall 2.2%. As the construction industry accounts for nearly 9% of GDP this contraction will be a major constraint on growth in the wider economy over the year ahead.

'However, despite these forecasts, there are some sectors of construction where growth is anticipated. Private house building is expected to grow 6% in 2013 boosted by the Bank of

England's Funding for Lending Scheme and infrastructure investment, identified by government as essential for the recovery, is set to grow throughout the forecast period, due partly to Crossrail, the largest construction project in Europe, as well as the critical investment in energy that is long overdue.

'Investment earmarked by the Chancellor in his autumn statement for road maintenance should provide some much needed activity across all regions of the UK, but it is important that this work is started immediately and used as a springboard for other economic activity if it is to have the desired impact.'

Key points in the Forecasts include:

- Housing starts in 2013 forecast to be 122,000, which is fewer than half that needed to meet the number of new households
- Activity in the commercial sector, the largest sector of construction, to fall 5.7% in 2013
- Retail construction output to fall 10% in 2013
- Output in education construction to fall 9.8% in 2013
- Health construction output to fall 8.7% in 2013
- Roads construction output to rise 8% in 2013 following 45% fall in 2012

ENDS

NOTE TO EDITORS:

The Construction Products Association represents the UK's manufacturers and suppliers of construction products, components and fittings. The Association acts as the voice of the construction products sector, representing the industry-wide view of its members. The sector has an annual turnover of £50 billion and accounts for 40% of total construction output.

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