

**Monday 6 August 2012**

## **Construction Contraction Causes Continuing Consternation**

The latest Construction Trade Survey published today, shows that during the second quarter of 2012 construction suffered another sharp fall across all parts of the industry including current workloads, new orders and tender prices, adding to the continuing woes and growing uncertainty for the UK economy as a whole.

As public sector investment continued to decline, in line with the government's budget deficit reduction objective, there was no sign of any private sector recovery to off set these cuts, leaving the sector with very little optimism for recovery in the near future.

Commenting on the survey, Noble Francis, Economics Director at the Construction Products Association said: 'The position for construction in the UK is now looking very bleak indeed, as this is the fourth such fall in the past five quarters. This survey brings together the position from all parts of the construction supply chain and the fact that these findings are reflected throughout the industry should send a stark message to the government that the current situation is really beginning to hurt. The government has rightly recognised that construction is a key driver for economic recovery. Therefore, government emphasis must be focused on immediate construction work throughout the country, much of which has already been identified. But this will require actual investment to replace the rhetoric that has, of late been all prevalent.'

Speaking about the survey Stephen Ratcliffe, Director UKCG, said: 'Declining public sector spend and a lack of confidence amongst private investors, means action is urgently needed to kick-start the construction economy. UKCG is working with government to help speed-up decisions on school building and other major projects, and ensure capital investment benefits all parts of the UK – not just London and the South East.'

Recent announcements on infrastructure guarantees and rail investment have been welcome, but we also need 'shovels in the ground' today. More resources could be directed to social housing and repair and maintenance projects – these are labour intensive and can be got off the ground very quickly.'

Julia Evans, Chief Executive of the National Federation of Builders added: 'The country is basking in the feel good factor of the Olympics which aims to inspire a generation. However, with higher costs, rising numbers of insolvencies, falling output, lower demand and rapidly depleting skills the construction industry is in danger of losing an entire generation of talent. While investment in infrastructure may deliver results in the medium-term, the government must ensure that its latest Funding for Lending scheme provides the near-term boost that will fuel growth.'

Key survey findings include:

- Large and medium sized building contractors reported that output in the second quarter of 2012 was lower than during the first quarter of 2011, which in turn was lower than Q4 and output has fallen in four of the last five quarters.
- Building contractors continue to report that order books are falling. The overall orders balance stood at –25% in the first quarter and deteriorated to –50% in Q2.
- In 2012 Q2 30% of building contractors, on balance, reported rises in costs.
- In 2012 Q1, nearly a third of firms, on balance, reported that profit margins reduced yet this had increased to almost half of all firms, 49% on balance, by 2012 Q2.
- 45% of heavy side firms reported that sales fell between Q1 and Q2. However, 20% of light side firms, on balance, reported that sales rose between the first and second quarters of 2012.
- 6% of heavy side manufacturers, on balance, reduced headcount in the year to Q2. 8% of light side firms, on balance, increased employment over the same period. However, employment remained static for the vast majority of firms.
- 45% of heavy side manufacturers and 73% of light side manufacturers invested in product improvement.

## 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 £50 billion and accounts for 40% of total construction output.

The Construction Products Association undertakes a comprehensive quarterly survey of its members operating across this sector.

#### **NATIONAL FEDERATION OF BUILDERS:**

The National Federation of Builders (NFB) represents over 1,500 builders and contractors across England and Wales. In addition to providing specialist advice and business services, the Federation, with a network of eight 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 32 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 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 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 FMB is the largest employers' body for small and medium sized firms in the construction industry, and with 11,000 members, it is the recognised voice of small and medium sized builders. FMB is committed to promoting excellent standards in craftsmanship and assisting builders to improve levels of building performance and customer service. Within its membership, the FMB has around 4180 firms which engage in house building, either as their primary function or as part for 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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