

Monday 10 August 2015

Ninth Straight Quarter of Growth for UK Construction Industry, but Skills Shortages Remain a Key Concern

The Construction Products Association's latest Construction Trade Survey, published today, shows that firms across the construction industry reported growth in activity in the second quarter of 2015, marking the ninth consecutive quarter of growth. However, the near-term outlook is clouded by labour supply issues and rising wage costs.

Commenting on the survey, Dr Noble Francis, Economics Director at the Construction Products Association, said, "Firms across the whole construction supply chain, including building contractors, SMEs, specialist contractors, civil engineers and product manufacturers all reported rises in output during Q2.

"Continuing the trend since recovery emerged in mid-2013, growth in output was led by the private housing sector, in which 43% of firms, on balance, reported a rise in output. Increased output was also reported in private commercial, the largest construction sector, where 18% of firms, on balance, reported rising volumes of offices and retail work. Contractors reported a decline in repair and maintenance work in Q2, reflecting a drop-off in measures installed under government schemes to boost energy efficient in recent months.

"The £23 billion R&M sector will undoubtedly be affected by this and the government's decision to close the Green Deal last month. Contractors reported a broad fall in orders across all sectors in Q2, however, not just for R&M. This will be countered to some extent by the fact that civil engineers, specialist contractors and SMEs reported an increase in new enquiries or orders in the quarter, whilst product manufacturers were upbeat over the outlook for sales.

"Of lingering concern," Dr Francis concluded, "nine quarters of rising construction activity and expectations of higher workloads over the coming year raise the issue of whether the supply of skilled labour will meet demand. Half of contractors have already reported difficulties recruiting on-site trades such as carpenters, bricklayers and plasterers."

Suzannah Nichol, Chief Executive of Build UK (merger of UKCG & NSCC), said “The outlook remains positive with building contractors enjoying rising output and almost half of Specialist Contractors looking at expansion in the next quarter. However, the impact of skills shortages continues to be felt, not least through increased labour costs. To overcome the difficulties the industry is facing in recruiting key trades, we need to focus on improving the image of construction and tackling apprenticeship reform.”

Richard Beresford, Chief Executive of the National Federation of Builders, added, “Despite nine consecutive quarters of reported growth, and healthy order books, future growth is far from assured. The severity of the skills shortage is such that the industry will see unsustainable rising labour costs or an increasing inability to deliver work. Industry’s efforts to address skills shortages cannot take effect soon enough.”

Key survey findings include:

- 17% of building contractors, on balance, reported that construction output rose in the second quarter of 2015 compared with a year ago
- Private housing output rose in Q2 according to 43% of building contractors, on balance
- 18% of building contractors, on balance, reported that private commercial output rose in the second quarter of 2015 compared with a year ago
- 9% of building contractors reported a fall in non-housing repair and maintenance output in Q2, on balance
- 9% of contractors, on balance, reported a fall in orders for housing R&M and 14% for non-housing R&M in Q2
- Public housing orders decreased in Q2 according to 44% of building contractors, on balance
- On balance, 43% of specialist contractors and 28% of SMEs reported an increase in enquiries in Q2
- 50% of building contractors reported difficulties recruiting carpenters, 49% for bricklayers and 45% for plasterers in Q2
- 57% of firms reported labour costs rose in Q2 compared with the previous quarter

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NOTE TO EDITORS:

CONSTRUCTION PRODUCTS ASSOCIATION:

The [Construction Products Association](#) represents the UK's manufacturers and distributors of construction products and materials. The sector directly provides jobs for 300,000 people across 20,000 companies, has an annual turnover of more than £47 billion. The Association acts as 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.

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.

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