

Sunday, 4 February 2018

Construction output to remain flat - at best - in 2018

The construction industry is bracing itself as the demise of Carillion and falls in public housing repair work, despite urgent work needed post-Grenfell, are expected to hit the industry in 2018. Growth is expected to remain flat – at best – according to the Construction Products Association’s forecasts.

Infrastructure remains the main bright spot for UK construction where any growth in construction at all will be reliant on government’s delivery of infrastructure projects. If realised this would result in a 6.3% rise in infrastructure work in 2018. However, concerns for the industry escalated following Carillion’s liquidation as the firm accounted for £850 million of the sector’s projects. The length of hiatus on Carillion sites will play a critical role on growth, and it is too early to tell what impact this will have on the 25,000-30,000 firms in their supply chain.

Following the tragic Grenfell Tower fire in June last year, 160 social housing towers were deemed unsafe and in need of urgent work. However, the sector is suffering from a lack of finance available to local authorities and concerns on the capacity to deliver the work. The public housing repair, maintenance and improvement sector has fallen 20% since 2010, and despite the urgency following the Grenfell Tower fire output is expected to fall by a further 2% in 2018.

The sharpest decline for construction in 2018 will be in the commercial sector, and particularly felt in the offices sub-sector as a lack of clarity on the UK’s post-Brexit deal led to a sharp fall in contract awards. Offices construction is expected to decline 15% in 2018 and 10% in 2019, with further concern this will accelerate if firms choose to move operations out of the UK into other EU member states.

Noble Francis, Economics Director at the Construction Products Association said: “Recent construction output and Markit/CIPS data have already highlighted subdued activity in the construction industry and our latest forecasts suggest that 2018 is likely to be tough for the industry. Overall, we are forecasting construction output to remain broadly flat this year but this is before the full impacts of the liquidation of Carillion in January feed through the supply chain and government will need to take a key role in mitigating the effects as it has already done on the services part of Carillion.

“Infrastructure activity is still expected to grow by 6.3% this year if politicians are able to deliver on their many announcements of major projects and spending across roads, rail and energy. Government will also need to help councils with funding to address issues on social housing towers above 18 metres since the Grenfell tragedy. Output in public housing repair, maintenance and improvement has already fallen each month since the tragedy and, without assistance, will fall 2% this year.

“Output in the commercial sector, the second largest construction sector, is expected to fall during 2018, primarily driven by a fall in demand for new office space, particularly within London. We expect offices

construction to fall 15% this year as Brexit uncertainty means that international investors hold back on major new investment in high-profile space in the capital.”

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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 300,000 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 resource efficient built environment.

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