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Construction Manufacturing Catch-up Begins

The Construction Products Association's State of Trade Survey for 2018 Q2 shows that the £56 billion UK construction products manufacturing industry began its catch-up of activity lost to adverse weather conditions during the first three months of the year.

Construction product sales act as an early indicator of wider activity in the supply chain and these results signpost to a rise in total construction output levels over the next 12 months.

Heavy side manufacturers reported an increase in activity, with sales in Q2 rising for 40% of firms, following two previous quarters of falling sales. For light side manufacturers, 29% of firms on balance reported a decrease, which was the weakest performance since 2012 Q3. This reflects the lagged impact of the industry's decline in Q1, as light side products such as insulation, boilers, glass and lighting tend to be used at the end of the building process.

Manufacturers anticipate a return to growth in the coming quarters, with 43% of heavy side firms and 27% of those on the light side expecting an increase in sales over the next 12 months. Input cost inflation continues to persist, however, particularly for the energy-intensive heavy side, which is experiencing the pass-through of rising global commodity prices on fuel and energy costs.

Rebecca Larkin, CPA Senior Economist said: "These results fit the profile of construction catch-up from a weather-affected Q1. As we've moved from a freezing Spring to a hot Summer, groundworks and work on external structures has been able to resume, and this has been reflected in increased sales for heavy side manufacturers. The disruption in Q1 is likely to have delayed interiors and finishing works starting on site which is evident in the decline in light side sales during Q2.

"Manufacturers' product sales, capacity utilisation and new hiring are all still expected to increase over the next year, but price pressure is coming from all directions across fuel, energy, raw materials and labour, which is likely to be felt throughout the construction supply chain."

Key survey findings include:

- A balance of 40% of heavy side firms reported that construction product sales rose in the second quarter of 2018 compared with the first quarter. 29% of light side firms, on balance, reported a fall in sales in Q2.
- On an annual basis, sales increased for 20% of heavy side firms and 12% of firms on the light side, on balance
- On balance, 43% of heavy side manufacturers anticipated a rise in sales in the next year, increasing from a balance of 37% in the previous quarter
- On the light side, 27% of firms expected an increase in product sales in the next year, compared to a balance of 16% in 2018 Q1
- 27% of heavy side firms increased headcount in the past year, the lowest balance in nearly five years

- Annual cost increases were reported by 73% of manufacturers on the heavy side and 50% on the light side
- Raw materials costs rose according to 87% of heavy side manufacturers and 88% of those on the light side

ENDS

NOTE TO EDITORS:

Heavy side products are typically structural materials used early in the construction process and include materials used in transport and other civil engineering projects. Heavy side materials include: aggregates, cement, ready-mix concrete, structural and reinforcing steel. Light side products are typically installed later in the construction process and include internal fittings and services. Light side products include: heating and ventilation systems, plumbing, electrical and lighting, doors and windows, kitchen furniture and thermal insulation.

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 333,000 people across 23,000 companies and has an annual turnover of more than £56.5 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.

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