

Construction: State of Industry Report for Strategic Forum for Construction – 20 June 2012

Construction Output Data

- The latest data from ONS for Q1 highlights a fall in output of **4.9%** compared to Q4 and **3.9%** lower than a year earlier. Within this, the key changes in output were public housing, **18%** lower than one year earlier, public non-housing, which covers education and health, **21%** lower than a year earlier and infrastructure, **11%** lower than one year earlier. The key sectors with growth in Q1, compared to a year earlier, were private housing (2.9%) and commercial (2.3%).

Construction New Orders Data

- The latest data from ONS for Q1 highlights a rise in orders of 4.6% compared to Q4 but **3.6%** lower than a year earlier. Within this, the key changes in orders were infrastructure, **60%** higher than a year earlier, public housing, **41%** lower than a year earlier, and public non-housing, **42%** lower than one year earlier.

Construction Industry Forecasts

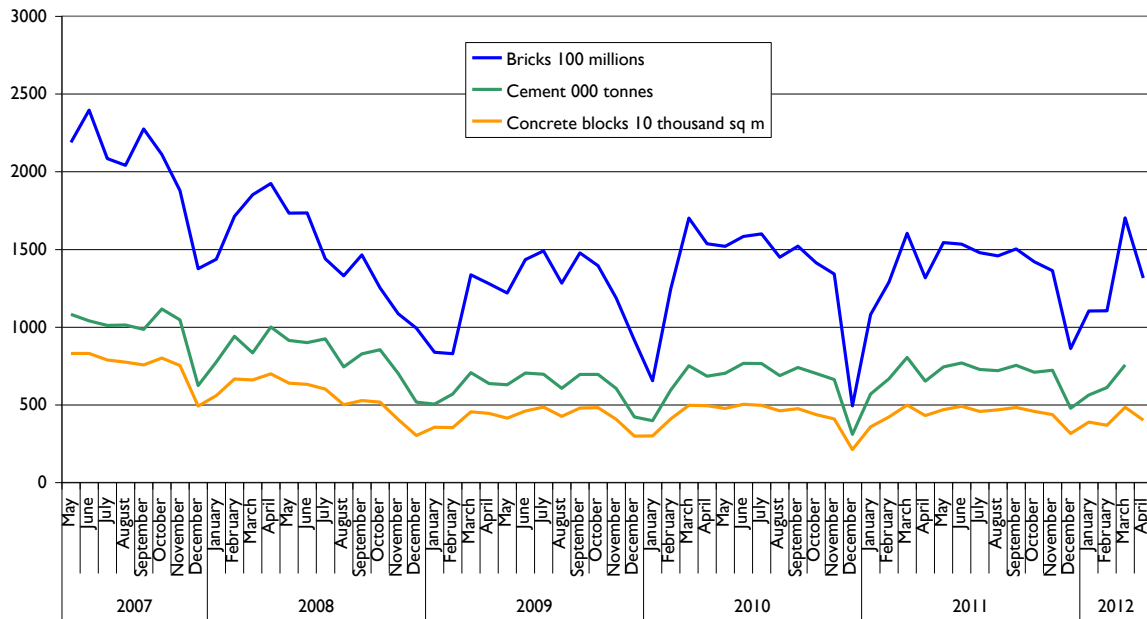
- Both the **Construction Products Association (CPA)** and **Experian** are currently updating their forecasts in the light of the most recent construction output and orders data, likely to reinforce the forecast fall in construction output. Furthermore, both are likely to be adversely affected by the revision down in macro economic forecasts once again. The Spring forecasts from the CPA anticipated that construction output would fall this year, remain flat in 2013 and only see growth in 2014. The Spring forecasts from Experian anticipated a sharper fall this year and then growth in 2013.

State of Trade Surveys – Building Contractors, Civils, Specialists, SMEs, Product Manufacturers

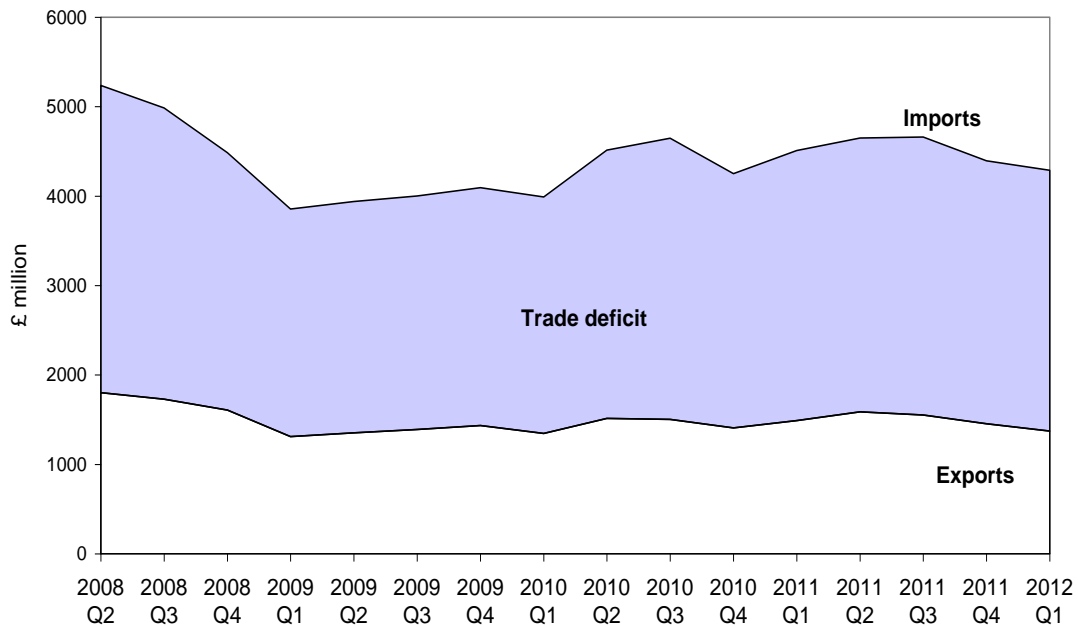
- The monthly output data continue to contrast with figures published by **Markit/CIPS**. According to Markit/CIPS, construction in May rose for the 17th consecutive month and has only fallen once in 26 months. The survey measures the direction of change rather than the level of construction output and is based on a smaller sample size than the ONS survey.
- The latest **Royal Institution of Chartered Surveyors (RICS)** survey suggests that total construction workloads remained broadly flat in Q1 with a balance of 8 firms reporting that workloads rose but 62% of firms reporting that workloads remained unchanged. Expected workloads and employment were positive suggesting that surveyors anticipate an improvement in conditions over the next 12 months. However, profit margins were expected to fall over the next year, reflecting the increasingly competitive environment.
- In its latest Workloads Trends Survey, the **Civil Engineering Contractors Association (CECA)** reported that civil engineering workloads improved in the year to Q1 with a positive balance of +1. 'Gas', 'Railways', 'Water & Sewerage' and 'Electricity' all enjoyed a rise in workloads. CECA also reported that the outlook for the sector in the next twelve months with 18% of civils contractors reporting a rise in orders books.
- Conditions remain challenging in small and medium sized construction companies, according to the latest **Federation of Master Builders (FMB)** State of Trade Survey. The survey suggests that workloads and employment continued to fall across all construction sub-sectors in 2012 Q1. Construction SMEs expected workloads and employment to decline in Q2.

Building Materials – Sales of Bricks/Concrete Blocks/Cement

Monthly deliveries of bricks, blocks and cement



Building Materials – Exports and Imports of Construction Materials



Source: Table 14 Monthly Statistics of Building Materials and Components

- Exports of construction materials fell by 5.5% on the quarter in 2012Q1 (to £1,374 million). Imports also fell but by less than exports (down 0.9% to £2,915 million). As a result, the trade deficit widened by £54 million, to £1,542 million, in 2012Q1.
- The increase in the trade deficit in 2012Q1 was due to a widening in the trade deficit in 'products and components' by £15 million, 'semi-manufactures' by £32 million and 'raw materials' by £8 million.

£million (% of total trade in italics)

All Building Materials & Components	EU	Non-EU
Exports	3,784	2,299
	<i>62%</i>	<i>38%</i>
Imports	7,730	4,402
	<i>64%</i>	<i>36%</i>

Source: Table 15 Monthly Statistics of Building Materials and Components

- In 2011, around 64% of all building material imports were from EU countries, while 62% of exports were to EU countries.
- UK's largest export market for building materials was Ireland, followed by Germany, France, the Netherlands and the USA.
- The largest import market was Germany, followed by China, Italy, the Netherlands and Spain.