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Construction Continues to Decline

The UK construction industry continued to decline during the final quarter of 2009 despite the wider economy returning to growth, according to the latest Construction Trade Survey published today. Furthermore, with rising material costs and increasing fuel and energy prices, coupled with decreasing orders and enquiries, the environment for construction throughout 2010 is likely to deteriorate even further, delaying any recovery in the sector for at least another twelve months.

With heavy side manufacturing sales providing an early indicator of how construction will perform near term, it is even more worrying that 78% of heavy side manufacturers endured a ninth consecutive quarter of falling output and 75% of heavy side manufacturers anticipate that sales will not grow significantly during the next quarter.

Speaking about the survey, Noble Francis, Economics Director at the Construction Products Association said: 'The continuing decline in workloads across the construction industry is of great concern, especially given that the situation has been exacerbated by rising energy and raw materials costs. This, combined with falling tender prices, is placing increasing pressure upon an industry that has now been in decline for two years. The Chancellor's confirmation in December 2009 that public spending on construction will fall by more than 50% during the next four years only provides more concern for the industry following last year's sharpest fall in construction on record and risks delaying any potential recovery in 2011.'

Commenting on the survey Stephen Ratcliffe, Director UKCG, said: 'These survey results confirm that the industry continues to face tough trading conditions, which could get worse before they get better. The amount of public spending on construction following the election is going to be crucial in saving jobs in the industry. However, we have still got a lot of work to do to convince the politicians that spending on infrastructure investment is the best way to stimulate the economy despite the recent LEK Consulting report which highlighted that for every £1 spent on construction, the economy benefits by £2.84. Getting

this message across and acted upon remains UKCG's top priority. We urge everybody in the industry to join us in this.'

Julia Evans, Chief Executive of the National Federation of Builders added: 'As with previous recessions, construction is still experiencing falls in output as the rest of the economy shows signs of growth. While we can only hope for the government to maintain capital spending at a level that will encourage sector growth, moves to make fair payment a contractual requirement to secure money already earned are very welcome.'

Key survey findings are:

- 89% of light side product manufacturers reported that they anticipated sales not to change significantly during the first quarter of 2010
- 91% of building contractors reported that order books during the fourth quarter of 2009 fell in the industrial sector which is a record low for the Construction Trade Survey
- 75% of light side manufacturers and 33% of heavy side manufacturers reported that costs had risen, with the majority citing raw material and energy costs
- 63% of building contractors reported declining profit margins during the final quarter of 2009 due to falling tender prices

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 £40 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 30 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, which is a member of the Construction Confederation, has over 350 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 over 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.

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