

Construction stimulates economic activity

During the current recession:

- Every £1 invested in construction generates £2.84 in total economic activity
- 92p of every £1 spent on construction is retained in the UK
- Every £1 invested by the public sector yields a return of 56p to the Exchequer. The net investment is therefore 44p.

More information

UKCG represents leading contractors who produce some £36 billion of construction turnover which is some 30% of the construction industry's total output.

This pamphlet summarises the findings of an independent report compiled for the **UK Contractors Group** by L.E.K. Consulting.

A full copy of the report is available on the **UKCG's** website at www.ukcg.org.uk

This report is also supported by the CBI Construction Council.

UKCG
UK Contractors Group

Construction in the UK Economy

The Benefits of Investment

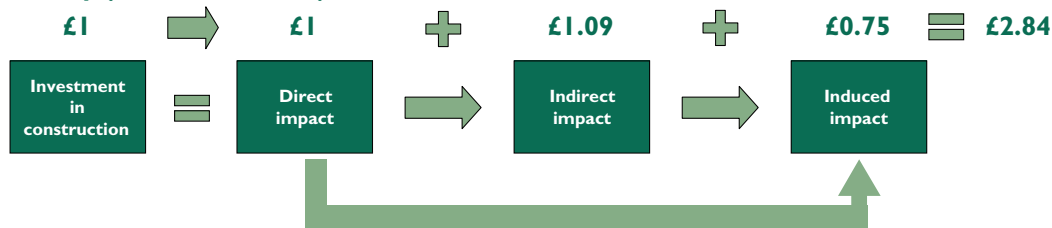
Public investment in construction is the most beneficial use of stimulative public expenditure in both the short and longer term.

Construction in the UK Economy

- The construction value chain is 10% of GDP
- Construction provides a £223 million trade surplus to the UK
- 300,000 firms work in construction, many are SMEs
- Construction employs 3 million people – 8% of the workforce
- Construction provides 28.5 jobs per £1 million invested (40% more than manufacturing).

Impact on economic activity

£1 spent on construction output generates a total of £2.84 in total economic activity (i.e. GDP increase)



Direct impact wage income and corporate profit

Wage income and corporate profit generated in the construction sector, plus spend on non-labour inputs

Indirect impact increases in output and income in the supply chain

Supply chain impacts of construction and their knock on effects, i.e., increase in output and income up and down the supply chain
 Sectors that benefit from increased construction output include manufacturing (especially of building products and equipment), real estate, business services (including architecture, planning and surveying), mining and quarrying, and transportation

Induced impact including increase in household income as a result of increased employment

Increase in household income as a result of increased employment / income in construction and other sectors leads to increase in spending and demand / output in the overall economy

- The type I output multiplier is a measure of the direct and indirect effects associated with an additional £1 spend on a particular sector. The type I multiplier for construction in the UK was estimated by the ONS to be 2.09
- Type II multipliers include the induced impacts associated with the increased economic activity and income in the economy. This has been estimated by L.E.K. based on income tax and National Insurance rates, indirect taxes, savings ratios, and import share of disposable income