

11 May 2010

Political Uncertainty Could Prolong Construction Recession

Overall construction activity in the UK contracted for the seventh consecutive quarter in 2010 Q1, according to the latest Construction Trade Survey published today, and industry experts expressed concern that political uncertainty could prolong the recession in the industry. Key results in the survey showed that enquiries remain subdued and order books depressed, and with pressure on raw materials prices continuing to strengthen, the industry expects operating conditions to deteriorate further as 2010 progresses.

A negative balance of 24% of construction product manufacturers and suppliers saw a fall in sales compared with a year earlier. Particularly badly hit were manufacturers and suppliers of heavyside products where 75% of heavyside firms reported lower sales volumes, not helped by the adverse weather at the start of the year. In contrast those making lightside products saw an improvement in trading conditions as firms started to re-stock. Looking forward, the survey showed something of an improvement in manufacturers' optimism about future short-term trading conditions, but 50% of firms still expect sales to decline in Q2, slightly more than the 45% that expect to see improvement.

Commenting on the results of the survey, Construction Products Association Chief Executive, Michael Ankers said;

'It is going to take some time to come to terms with the way the new government will work and how stable the relationships that are being established are. This uncertainty could delay the investment decisions in both the public and private sectors, and prolong the construction recession beyond 2010. Manufacturers and suppliers need confidence that the recovery in the housing market will continue and clarity about public sector spending programmes going forward. Without this, future investment decisions by companies in the industry will inevitably be put on hold'.

Building contractors also reported falls in output in the first quarter of 2010 with, on balance, 25% seeing output lower than the same quarter in 2009. Of particular concern was that over 50% of contractors stated that orders for work in publicly funded projects such as health and education had declined in the first quarter of the year as a result of a hiatus on the letting of public sector projects in advance of the Election.

Commenting on the survey Stephen Ratcliffe, Director of the UK Contractors Group said: 'The outlook for the industry remains at best uncertain. A big worry is that the inconclusive election result will have an effect on both public sector investment, with more delays and uncertainty, and the wider market because ongoing fiscal policy could be a muddle. Rising costs do not help with everybody under pressure, because of the state of the economy, to deliver projects at significantly reduced costs.'

Julia Evans, Chief Executive of the National Federation of Builders added: 'With the construction industry still in recession and continuing to experience higher costs and less work, deep capital spending cuts can only make it more difficult to develop skills and deliver on low carbon building targets. It is important to note that none of the major parties pledged to protect construction spending during the election campaign, a sure sign that the industry's contribution to the UK economy is still undervalued.'

Key survey findings are:

- 78% of light side manufacturers reported an increase in sales in 2010 Q1 compared to 2009 Q1, but sales volumes were down for 75% of heavy side manufacturers.
- Sentiment about the future, whilst still negative, has improved since the last survey. 40% of light side manufacturers and 38% of heavy side manufacturers expect sales to rise quarter-on-quarter in 2010 Q2.
- Inflationary pressures persist. 80% of light side and 37% of heavy side manufacturers reported a rise in unit costs in 2010 Q1, with raw materials and fuel/energy costs being the main drivers. Employment levels and wages, however, continued to fall.
- Sterling's persistent weakness has increased UK manufacturers' competitiveness overseas and 72% of light side and 20% of heavy side reported further increases in exports in 2010 Q1.
- Building contractors saw particularly sharp falls in the industrial and commercial sectors and the prospects going forward in these areas are also disappointing, with new orders in 2009 falling by 38% and 45% respectively.
- Contractors also saw a continued fall in enquiries during Q1, although the fall in commercial orders (42%) was smaller than the 75% experienced in the final quarter of 2009.
- Despite the falling workloads, more contractors reporting increasing costs and they attributed this to rising material 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 31 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.

FOR FURTHER INFORMATION CONTACT:

Kelly Forrest, Senior Economist
Construction Products Association
Tel : 020 7323 3770
Fax : 020 7323 0307
E-mail : noble.francis@constructionproducts.org.uk

Simon Storer, Communications and External Affairs Director
Construction Products Association
Tel: 020 7323 3770
Mobile 07702 862 257
Fax: 020 7323 0307
E-mail: simon.storer@constructionproducts.org.uk