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CONSTRUCTION INDUSTRY HIGHLIGHTS BENEFITS OF CAPITAL INVESTMENT TO WIDER UK ECONOMY

Spending on construction significantly benefits the UK economy, according to independent research by L.E.K. Consulting, the international strategy consultancy, commissioned by the construction industry body, UK Contractors Group (UKCG), in partnership with the CBI.

The report, *Construction in the UK economy: The Benefits of Investment*, shows that construction is the best sector for stimulating employment.

It also shows that every £1 spent on construction leads to an increase in GDP of £2.84, as the spending not only creates construction output worth £1, but also stimulates growth elsewhere in the economy worth £1.84.

In some areas, such as building schools, the economic benefits of construction are even more pronounced. L.E.K. Consulting estimates that every £1 spent in this area leads to a total economic benefit of between £3.87 and £5.04, partly because of the direct benefit to the economy, but also because of improved education services that lead to a long-term benefit via a higher-skilled workforce.

The report follows figures last week showing that GDP fell by 0.4% in the third quarter of this year. It makes the case for continued investment in construction projects that are crucial to the long-term future of the UK economy.

John Cridland, CBI Deputy-Director General, said:

“With the Chancellor’s Pre-Budget Report looming, the CBI is continuing to press the case for protecting capital spending by government.

“A strong economy needs fit-for-purpose schools and hospitals, and it will be the construction industry that builds the new transport and energy infrastructure needed to shift to a low-carbon economy.

“This timely report outlines the essential relationship between the construction sector and other parts of the economy, as well as its important contribution to numerous other social and economic objectives, including regional development and employment.”

James Wates, Chairman of the UKCG, said:

“This is the first time the industry has put together a set of compelling and powerful arguments to support the case for investment in infrastructure.

“Now is the time for the whole industry to come together behind the CBI to press the message home.”

Other key findings of the report include:

- The construction industry is a driver of growth in other sectors due to its heavy reliance on an extended and varied supply chain.
- Construction relies little on imports, so investment is more likely to generate additional economic activity within the UK.
- Construction is not only immediate economic production. It is also investment rather than consumption, which provides significant long-term economic and social benefits to the country.

John McDonough, Chairman of the CBI's Construction Council, said:

"To ensure that the construction industry can play its role in the UK's economic recovery, we need to make sure that good procurement practices do not fall by the wayside during the recession.

"We have already seen worrying signs of some clients using the recession as an excuse to seek the lowest possible tender prices. The government needs to lead the way, and work with the construction industry to ensure the focus remains on innovation, partnership and value for money.

"We are also facing a serious skills shortage, which could hinder plans to deliver a low-carbon economy. Young people are being hit particularly hard in the jobs market. The government must immediately provide more financial support for construction businesses to take on apprentices in order to ensure we have the right skills to build the new infrastructure for a low-carbon economy."

Colin Farmer, Partner at L.E.K., commented: "This is the first in-depth study conducted into the commercial and economic impact of investment in the UK construction industry. With the recession hitting construction particularly hard, this is an important and timely demonstration of the significant short and long-term benefits of investing in construction."

Notes for editors

A copy of “Construction in the UK economy; the benefits of investment” is attached.

The UK Contractors Group (UKCG) represents some 30 leading contractors operating in the UK on construction specific issues. 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 contractors’ interests are properly reflected in the wider business agenda. Further information is available at www.ukcg.org.uk

The CBI is the UK’s leading business organisation, speaking for some 240,000 businesses that together employ around a third of the private sector workforce. With offices across the UK as well as representation in Brussels, Washington, Beijing and Delhi the CBI communicates the British business voice around the world. The CBI’s Construction Council was formed in 2008, and represents contractors, house builders, civil engineers, component and product manufacturers, designers and support services.

L.E.K. Consulting is an international firm that specialises in strategy, transaction services and performance improvement consulting. It advises the largest private and public sector organisations, private equity companies and smaller, more entrepreneurial businesses. With a reputation for resolving the most complex commercial issues, L.E.K. helps business leaders consistently make better decisions, deliver improved business performance and create greater shareholder returns. The firm was founded in 1983 and employs over 850 staff in 20 offices across Europe, North America and Asia Pacific. In 2007, L.E.K Consulting was awarded the Queen’s Award for Enterprise for its achievements in international trade. Further information is available at www.lek.com

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