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Construction Continues to Suffer as Recession is Prolonged

Construction has been hit more severely than most other sectors and conditions deteriorated further during the third quarter of 2009 according to the latest Construction Trade Survey that is published today. With the economy still in decline the prospects in most areas of construction appear bleak as orders and enquiries for civil engineering contractors, building contractors and specialist contractors continue to fall, along with sales of construction products, all of which point to the construction industry facing its sharpest fall on record this year with a further decline in output expected in 2010.

Speaking about the survey, Noble Francis, Economics Director at the Construction Products Association said: 'Although it was a surprise to many forecasters that the economy continued to contract during the third quarter of 2009, the fall in construction activity which was predicted in earlier forecasts, is now borne out in the latest Construction Trade Survey, which illustrates that all areas of construction have contracted during the last quarter. With sharp falls currently in private sector construction and the potential for sharp spending cuts post-election in public sector construction, this is a critical time for the industry, which is not expected to see any growth until 2011 at the earliest.

'The challenging economic environment and difficult conditions for private sector construction mean that it is vital that government does its utmost to ensure spending is maintained on the housing, schools, hospitals and transport infrastructure for which the long-term demands will not disappear, despite the recession.'

Commenting on the survey Stephen Ratcliffe, Director UKCG, said: 'This report makes grim reading and demonstrates more than ever that the construction industry needs to be selling itself more aggressively as a means of helping the UK out of recession. Our report – *Construction in the UK economy: the benefits of investment* - published last week sets out our case in powerful terms. It shows that investment in infrastructure is one of the best ways of stimulating the economy, that construction is the best way of

stimulating employment and that the investment provides significant long term economic and social benefits. This is a message the whole industry needs to get behind and with all possible speed.'

Julia Evans, Chief Executive of the National Federation of Builders added: 'The survey results give a glimmer of hope in falling costs for contractors and a light at the end of the tunnel with predictions of better conditions in 2011. However, the underlying message is still one of intense pressure from falling tender prices, falling demand and increasing unemployment. It is imperative that capital spending is maintained, rather than reduced, to stem the loss of skills and to ensure that there is still a viable industry when the economy recovers.'

Key survey findings are:

- 86% of heavy side manufacturers and 75% of light side manufacturers reported that sales, on balance, fell significantly in the third quarter of 2009
- 60% of building contractors reported that output fell in the industrial sector and 50% reported that output fell in the commercial sector during the last three months
- 63% of building contractors reported that their order books fell in the industrial sector and 76% reported that their order books have fallen in the commercial sector
- 62% of heavy side and 75% of light side manufacturers stated that unit costs had risen due to rises in raw materials prices and fuel/energy costs despite falls in labour costs
- 75% of building contractors reported that tender prices and profit margins fell over the last quarter and 74% of civils contractors reported that, on balance, tender prices fell during the same period

ENDS

NOTE TO EDITORS:

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.

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.

UK CONTRACTORS GROUP:

The UK Contractors Group represents 25 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 contractors interests are properly reflected in the wider business agenda.

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