

06 May 2009

Recession Pain Felt Across All Construction

The construction industry is facing its sharpest decline on record. With no prospect of an improvement in the near term, output and employment are set to fall even further in 2009 and 2010. This is the stark picture according to the new Construction Trade Survey compiled by the by the Construction Products Association, which covers building contractors, civil engineering contractors, specialist contractors and construction products manufacturers.

The Survey, which covers the first quarter of 2009, provides no respite from the current recession, suggesting that the situation is likely to deteriorate across the whole industry. The decline endured in 2008 is set to be exacerbated in 2009 with decreasing demand in the economy leading to unprecedented falls in output and employment within the construction industry.

Speaking about the survey, Noble Francis, Economics Director at the Construction Products Association said: 'The worst fears of those in the construction industry look set to be realised. With deep recession in the economy weighing heavily upon construction, the latest quarter of output within the industry, covering 2008 Q4, already highlighted the steepest decline since 1980. However, the latest Construction Trade Survey suggests that the situation has deteriorated further.'

The Association anticipates that the construction sector as a whole will fall 12.1% during 2009, the sharpest decline on record and the private sector is expected to endure the worst falls, falling 20% in 2009 alone. While 2008 saw private housing and industrial sectors suffering, 2009 is expected to see sharp falls in offices and retail new build, with private housing repair and maintenance also set to be hit hard.

'The survey highlights the stark contrast between 18 months ago, when the chief concerns regarded whether there was adequate capacity to meet demand and rapidly rising input prices. The survey also

illustrates the deterioration in construction product manufacturing during the first quarter of 2009. All heavy side manufacturers and 91% of light side manufacturers reported that sales had fallen, unprecedented results since the survey began. Just 12 months previous to this, 82% of light side manufacturers stated that sales had risen.'

Julia Evans, Chief Executive of the National Federation of Builders added: 'These are clearly challenging times for our industry and SMEs are battling to overcome incredible odds. We know from talking to NFB members that many are frustrated both by the difficulties they face in accessing public sector contracts and by banks refusing the necessary capital needed to operate.

"With private sector work opportunities hit hardest of all, government must encourage public sector clients to release work in a wider range of procurement methods. We need some smaller bundles or individual contracts let outside of over-large framework packages to ensure SME contractors are able to compete. There is also an urgent need for pressure to be put on banks to make sure they pass on the funding where it is needed.'

Stephen Ratcliffe, Director of the UK Contractors Group said: 'This confirms the message the industry has been conveying to ministers over the past three months – that the industry is entering a very difficult period, which result in many job losses. Cut backs in public spending – such as the LSC college building programme- will lead to even further decline in output later on in the year.'

Key survey findings are:

- 62% of building contractors report that output fell in Q1 compared to Q4 2008 and 60% report that output will fall further in the next quarter.
- 100% of heavy side manufacturers reported that sales were lower than in the previous quarter.
- 56% of specialist contractors reported that order books fell in the first quarter of 2009, indicating that output was likely to fall further near term.

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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