

Monthly Construction Update

Business Statistics Team

13th April 2021



Department for
Business, Energy
& Industrial Strategy

Construction output grew by 1.6% in February 2021

The **Office for National Statistics** published a provisional estimate of [construction output](#) for February 2021 this morning:

- Construction output grew by 1.6% in the month-on-month all work series in February 2021, because of a 1.5% increase in new work and 1.9% increase in repair and maintenance; this was the highest monthly growth in all work since September 2020 when it grew by 1.8%.
- The level of construction output in February 2021 was 4.3% below the February 2020 level; while new work was 7.8% below the February 2020 level, repair and maintenance work was 2.2% above the February 2020 level.
- The monthly increase in new work (1.5%) in February 2021 was because of growth in all new work sectors apart from infrastructure, which fell by 3.4%; the largest contributor to this growth was private commercial new work, which grew by 4.0%. The monthly increase in repair and maintenance (1.9%) in February 2021 was because of growth in private and non-housing repair and maintenance, which grew by 4.7% and 2.6% respectively, offsetting the 8.6% fall in public housing repair and maintenance.
- Construction output fell by 1.0% in the three months to February 2021 compared with the previous three-month period, because of a 1.6% fall in new work and 0.1% fall in repair and maintenance.
- Following revisions in this release, 2020 annual construction growth has been revised down 1.5 percentage points to an annual decline of 14.0%; this is now the largest decline in annual growth since annual records began in 1997.
- The [Output in the construction industry: sub-national and sub-sector dataset](#) was temporarily suspended following the outbreak of the coronavirus (COVID-19). The Office for National Statistics (ONS) plans to resume publication of this dataset in the [next release on 12 May 2021](#). Please see the [Measuring the data](#) section for more information.

Monthly all work index, chained volume measure, seasonally adjusted,
Great Britain, January 2010 to February 2021



Gross Domestic Product grew by 0.4% in February 2021

The **Office for National Statistics** also published their estimates of GDP for [February 2021](#) this morning:

- GDP is estimated to have grown by 0.4% in February 2021, after falling by 2.9% in January 2021.
- The services sector grew by 0.2% and production grew by 1.0% in February 2021, whilst construction grew by 1.6% in the same period.
- February GDP was 7.8% below the levels seen in February 2020, compared with 3.1% below October 2020 (the initial recovery peak).

IHS Markit CIP UK Construction Purchasing Managers Index for March 2021

IHS Markit CIPS published their latest [construction purchasing managers index](#) for March 2021 on 8th April 2021.

- The recovery in UK construction output gained considerable momentum in March, supported by robust rises in house building, commercial work and civil engineering.
- Adjusted for seasonal influences, the IHS Markit/CIPS UK Construction Total Activity Index registered 61.7 in March, up sharply from 53.3 in February. The latest reading signalled the strongest rate of construction output growth since September 2014.
- Housebuilding (index at 64.0) was the best-performing category, with growth the fastest since July 2020. Strong increases in activity were also seen in commercial construction (62.7) and civil engineering (58.0) in March, with the index readings for both segments the highest since the second half of 2014.

UK Construction PMI® Total Activity Index

sa, >50 = growth since previous month

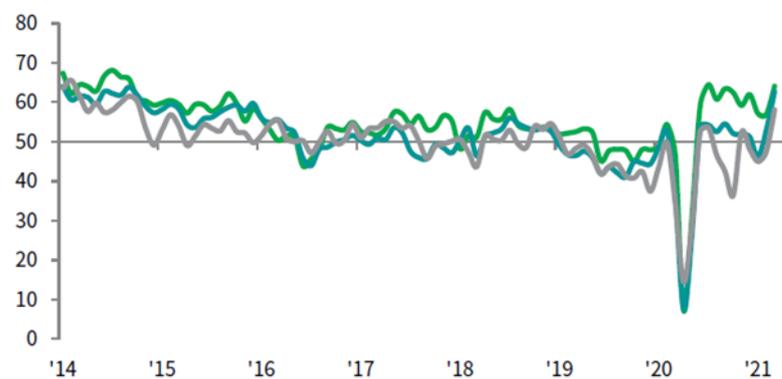


Source: IHS Markit / CIPS.

UK Construction PMI® Total Activity Index by category

Housing / Commercial / Civil Engineering

sa, >50 = growth since previous month



Source: IHS Markit / CIPS.

- Survey respondents commented on the mobilisation of delayed projects, especially in areas such as hospitality, leisure, and office development. There were reports of a boost from major infrastructure projects in March, as well as higher workloads due to greater spending on residential construction work and rising new home sales.
- Imbalanced demand and supply for construction inputs led to the steepest increase in purchasing prices since August 2008. Survey respondents widely noted that suppliers had cited Brexit and COVID-19 as reasons for price hikes in March. Higher demand for construction products and materials contributed to longer wait times for deliveries by suppliers.
- The latest survey indicated a strong degree of confidence towards the year ahead outlook for construction activity. Growth projections were the most upbeat since June 2015, reflecting confidence in the UK economic outlook, the improving pandemic situation and pent-up demand.

Business Insights and Impact on the UK economy

The Office of National Statistics published [Business insights and impact on the UK economy](#), on 8th April 2021, based on responses from the voluntary fortnightly business survey (BICS). Businesses were asked for their experiences for the reference period 8th March 2021 to 21st March 2021.

- Weighted by count, 9.7% of all construction firms surveyed said they had paused trading and did not intend to restart in the next two weeks. Some 4.9% had paused trading but intended to re-start in the next two weeks. A further 3.3% said that they had started trading within the last two weeks after a pause in trading.
- Weighted by turnover, 3.8% of construction firms still trading said turnover had decreased by more than 50%. A further 28.7% said turnover had decreased, but by less than 50%.
- Weighted by turnover, 5.6% of construction firms which had not permanently stopped trading said they had no cash reserves. 33.5% said they had cash reserves, but these would last less than three months.
- Weighted by employment, the average proportion of the workforce on partial or furlough leave was 2.9% for construction businesses that had not permanently stopped trading.
- Weighted by count, 36.7% of construction businesses that had not permanently stopped trading said they were using, or intending to use, the Coronavirus Job Retention Scheme (furlough).
- Weighted by count, 8.7% of construction businesses that had not permanently stopped trading said they had no or low confidence they would survive the next 3 months, whilst 44.3% had moderate confidence.

HMRC updated experimental statistics about the [Coronavirus Job Retention Scheme](#) on 25th March 2021.

- In construction, furloughing peaked on 14 April 2020 with 724,000 employments furloughed, falling to 596,000 on 31st May, 404,000 on 30 June, 300,000 on 31st July, 204,000 on 31st August, 163,000 on 30th September, 131,000 on 31st October, 170,000 on 30th November, 195,000 on 31st December, 246,000 on 31st January 2021 and 229,000 on 28th February 2021.
- The total value of claims up to 30th October 2020 was around £3.8 billion. The provisional value of claims between 1st November 2020 and 28th February 2021 was around £1.4 billion.

HMRC also published further experimental statistics on the [Self-Employment Income Support Scheme](#) (SEISS) on 25th February 2021.

- Construction is the sector with the highest number of potentially eligible individuals (1.0 million) for the third SEISS grant.
- By 31st January 2021, self-employed construction workers had made 747,000 claims for the third SEISS grant, totalling £2.6bn, an average of £3,500 per claimant. This was the second highest average value behind the finance and insurance activities sector at £4,000.

Construction Output Forecasts for 2020, 2021 and 2022

Experian published their Winter 2020/21 [forecasts](#) for the construction sector in January 2021:

- All construction sectors are estimated to have seen a decline in output in 2020 as projects struggled to put in place Covid-19 safety protocols, especially during the first national lockdown in the second quarter of the year. However, the falls were by no means uniform, with some sectors faring relatively better than others.
- Construction output is expected to fall by 16.6% in 2020 and then grow by 11.5% in 2021 and 7.6% in 2022.
- Total new work is forecast to fall by 17% in 2020, and then recover by 13% in 2021 and 8% in 2022. Total housing, private industrial and private commercial sub-sectors are all forecast to fall by between 21% and 23% in 2020. Infrastructure is forecast to experience the smallest fall of the subsectors in 2020 (5%).
- Repair and maintenance is forecast to fall by 15% in 2020 before recovering by 9% in 2021 and 6% in 2022.

The **Construction Products Association** published scenarios for construction as part of their analysis of the [market impact](#) in January 2021.

- The CPA's latest Construction Industry Scenarios sees a 'W'-shaped economic recession and recovery as its main assumption, with construction output expected to rise 14% in 2021 and 4.9% in 2022. This takes account of lockdown restrictions over winter 2020/21 before a sustained recovery from 2021 Q2 as vaccines are rolled out and the services-based economy can reopen again.
- With government making it clear that the construction and manufacturing sectors should continue to operate despite Covid-19 restrictions, output has been able to rise and recover relatively rapidly. The 14.0% rise in 2021 follows an estimated contraction of 14.3% overall in 2020 caused by the sharp fall in the first half of last year. Output is only expected to recover to pre-Covid levels in 2022. There is also the risk that once furlough and self-employment support schemes end in April, there may be a sharp rise in unemployment that could potentially dampen this recovery.
- The CPA's Scenarios show that private housing was one of the quickest sectors to recover in 2020, with mortgage lending and property transactions above pre-COVID-19 levels at the end of the year. A slower recovery has been seen in the commercial sector, with store closures and low rent collection in retail and leisure as well as the shift to working from home causing uncertainty for the offices sub-sector. Homeworking has had a positive impact on the private housing RM&I sector, with households investing accumulated savings from lower daily expenditure back into homes.

Gross Domestic Product Forecasts

The latest monthly **Consensus Economics** [forecast survey](#) (which uses an average of private sector forecasts) results were published in March 2021.

- The mean GDP forecast for 2021 is 4.6% growth, up from 4.2% growth in the previous month's survey.
- The mean GDP growth forecast for 2022 is 5.8%, up from 5.6% in the previous month's survey.

The **OECD** updated their [Economic Outlook](#) in March 2021:

- UK GDP was projected to fall by 9.9% in 2020 and grow by 5.1% in 2021.
- Global GDP was projected to rise by around 5.5% in 2021, and a further 4.0% in 2022. But despite the improved global outlook output and incomes in many countries at the end of 2022 will remain below the level expected prior to the pandemic.

Bank of England Summary of Business Conditions

The **Bank of England** published its latest update to the [Agents' Summary of Business Conditions](#) on 18th March 2021, covering intelligence gathered between mid-January and late February 2021.

- Construction output continued to be lower than a year ago, partly due to subdued demand from sectors worst affected by Covid, though public projects continued. Contacts said that private commercial work remained substantially down on the previous year, in particular for office, hospitality and leisure developments. By contrast, there was strong growth in industrial developments such as logistics and warehousing.
- Public infrastructure projects continued to support output, in particular school and transport developments, and contacts reported a good pipeline of publicly funded work. Looking ahead, contacts also expected green energy projects to support growth.
- In house building, demand for private housing remained strong, although output was lower than a year ago due to supply chain issues and lower productivity as a result of social distancing rules. Construction of social housing had picked up less quickly due to the postponement of some projects, though housing association developments appeared to be strengthening more recently.
- Demand for home improvements, repair and maintenance continued to be strong, though some activity may have been delayed as a result of lockdown. Contacts said that public repair and maintenance work had also held up.

Building Materials

The latest [Monthly Statistics of Building Materials and Components](#) were published by **BEIS** on 7th April 2021.

- There was a 3.8% decrease in brick deliveries in February 2021 compared to February 2020, according to the seasonally adjusted figures. The month-on-month change shows a 0.2% decrease in February 2021.
- There was an 17.3% decrease in concrete block deliveries in February 2021 compared to February 2020, according to the seasonally adjusted figures. The month-on-month change shows a 3.4% decrease in February 2021.

Builders Merchant Building Index

The [Builders Merchant Building Index](#) for January 2021 was published by the **Builders Merchants Federation** and **GfK** on 19th March 2021.

- Total Builders' Merchants' sales in January 2021 were 3.7% lower than in January 2020, with two fewer trading days this year. Three categories sold more this year (Timber & Joinery Products, Landscaping and Workwear & Safetywear), whilst sales in the remaining nine categories declined. Average sales a day, which takes trading differences into account were 5.9% higher than in January 2020.
- Total Builders' Merchants' sales in January 2021 were 20.6% higher than in December 2020, helped by 3 more trading days. All categories sold more. Workwear & Safetywear (+39.1) did best, with Timber & Joinery Products (+26.2%) and Heavy Building Materials (+22.8), the largest category, also outperforming merchants generally.
- Total Sales in the last three months (November 2020 to January 2021) were 4.4% higher than in the corresponding period a year earlier, with the same number of trading days. Sales in the 12 months from February 2020 to January 2021 were 10.8% lower than the preceding 12 months.

Expected dates for future construction output releases

<i>Release for:</i>	<i>Publication date:</i>
March 2021	12 th May 2021
April 2021	11 th June 2021
May 2021	9 th July 2021

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