

Monthly Construction Update

Business Statistics Team

11th June 2021



Department for
Business, Energy
& Industrial Strategy

Construction output fell by 2.0% in April 2021

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

- Construction output fell 2.0% in April 2021 following a particularly strong increase in March (5.8%): output now stands slightly above its pre-pandemic February 2020 level; new work continues to be subdued but the level of repair and maintenance is stronger.

- Monthly construction fell by 2.0% in April 2021 because of declines in both new work (2.9%) and repair and maintenance (0.6%).

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



Source: Office for National Statistics – Construction Output and
Employment

- The level of construction output in April 2021 remains 0.3% above the February 2020 pre-pandemic level despite the monthly fall; while new work was 3.4% below the February 2020 level, repair and maintenance work remains 7.1% above the February 2020 level.
- In contrast to the monthly fall, construction output grew by 5.1% in the three months to April 2021 compared with the previous three-month period, because of a 5.2% increase in new work and 4.9% increase in repair and maintenance.
- The increase in new work (5.2%) in the three months to April 2021 was because of growth in all new work sectors apart from private industrial, which fell by 3.6%; the largest contributor to this growth was private commercial new work, which grew by 7.4%.
- The increase in repair and maintenance (4.9%) in the three months to April 2021 was because of growth in non-housing and private housing repair and maintenance, which grew by 6.2% and 6.6% respectively.

Gross Domestic Product grew by 2.3% in April 2021

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

- GDP is estimated to have grown by 2.3% in April 2021, the fastest monthly growth since July 2020 as government restrictions affecting economic activity continued to ease.
- The services sector grew by 3.4% in April 2021, the production sector fell by 1.3% in April 2021 and the construction sector contracted by 2.0% in April 2021.
- April GDP remains 3.7% below the pre-pandemic levels seen in February 2020, however it is now 1.2% above its initial recovery peak in October 2020.

IHS Markit CIP UK Construction Purchasing Managers Index for May 2021

IHS Markit CIPS published their latest [construction purchasing managers index](#) for May 2021 on 4th June 2021.

- May PMI data indicated that the UK construction sector remained on a strong recovery path, with output growth reaching its strongest since September 2014. Moreover, new order volumes increased at the fastest pace since the survey began just over 24 years ago.
- Input cost inflation was also at a survey-record high during May, reflecting a surge in demand for construction materials and severe supply shortages.

IHS Markit / CIPS UK Construction PMI Total Activity Index

sa, >50 = growth since previous month



Sources: IHS Markit, CIPS.

- At 64.2 in May, up from 61.6 in April, the seasonally adjusted IHS Markit/CIPS UK Construction PMI Total Activity Index registered above the 50.0 no-change value for the fourth consecutive month and signalled the strongest rate of output growth for just under seven years.
- House building (index at 66.3) was the best-performing category of construction activity in May, followed by commercial work (64.4). The latest increase in work on commercial projects was the steepest since August 2007, reflecting strong demand conditions following the reopening of customer-facing areas of the UK economy. Civil engineering activity (index at 61.3) also increased sharply during May, although the pace of expansion eased slightly since the previous month.
- Suppliers' delivery times lengthened sharply in May, with the downturn in vendor performance the second steepest since the survey began (exceeded only by that seen in April 2020). Stretched supply chains and steep rises in raw material prices contributed to a rapid increase in average cost burdens. The overall rate of input price inflation was the highest in just over 24 years of data collection.

Business Insights and Impact on the UK economy

The Office of National Statistics published [Business insights and impact on the UK economy](#), on 3rd June 2021, based on responses from the voluntary fortnightly business survey (BICS). Businesses were asked for their experiences for the reference period 17th May 2021 to 30th May 2021.

- Weighted by count, 1.3% of all construction firms surveyed said they had paused trading and did not intend to restart in the next two weeks.
- Weighted by turnover, 2.1% of construction firms still trading said turnover had decreased by more than 50%. A further 20.1% said turnover had decreased, but by less than 50%.
- Weighted by turnover, 7.4% of construction firms which had not permanently stopped trading said they had no cash reserves. 31.3% 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 1.5% for construction businesses that had not permanently stopped trading.
- Weighted by count, 27.6% 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, 4.7% of construction businesses that had not permanently stopped trading said they had low confidence they would survive the next 3 months: 48.6% had moderate confidence.

HMRC updated experimental statistics about the [Coronavirus Job Retention Scheme](#) on 3rd June 2021.

- In construction, furloughing peaked on 14 April 2020 with 724,000 employments furloughed, falling to 131,000 on 31st October, before rising to 246,000 on 31st January 2021. On 28th February 2021 there were 231,000 furloughed employments, falling to 198,000 on 31st March and 167,000 on 30th April.
- 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 30th April 2021 was around £1.2 billion.

HMRC published further experimental statistics on the [Self-Employment Income Support Scheme](#) (SEISS) on 3rd June 2021.

- Construction is the sector with the highest number of potentially eligible individuals (1.0 million) for the fourth SEISS grant.
- By 9th May 2021, self-employed construction workers had made 555,000 claims for the fourth SEISS grant, totalling £1.9bn, an average of £3,500 per claimant. This was the second highest average value behind the finance and insurance activities sector at £3,900.

Construction Output Forecasts for 2021 and 2022

Experian published their Spring 2021 [forecasts](#) for the construction sector in April 2021:

- The construction sector recovered relatively rapidly compared to other sectors of the economy in the second half of 2020, though suffered an overall decline in output of 14% in 2020.

- Construction output is expected to grow by 11.3% in 2021 and by 5.2% in 2022, with 2019 output levels reached in early 2022.
- All sectors within construction will see a similar pattern of recovery, with the bulk of the rebound seen in 2021 and the pace of growth beginning to revert to trend from 2022, though there are notable differences in the relative pace of expansion and associated risks.
- The public housing sector will see 7.7% Average Annual Growth (AAG) in output between 2020 and 2023. The AAG forecast is 9.5% for private housing over the same period, 7.6% for infrastructure and 4.7% for the public non-housing sector.

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

- The CPA forecasts that it will be next year before the industry recovers the output lost in 2020 and returns to 2019 levels. It also highlights significant risks to the construction sector's recovery from 2021, including supply constraints for key imported construction products and uncertainty around demand for housing new builds, and repair, maintenance and improvements works (rm&i) and commercial space.
- Construction output is forecast to rise by 12.9% in 2021 and 5.2% in 2022 compared with 14.0% in 2021 and 4.9% in 2022 in the CPA's winter main scenario. The downward revision to the growth forecast for 2021 reflects a higher base for construction output in 2020, with official data reporting a smaller fall than initially anticipated of 12.5% in 2020 compared to 2019. The UK economy faltered in 2021 Q1 due to the impacts of the third national lockdown on the services sector that accounts for 81% of UK GDP. For construction, however, activity accelerated in the first quarter of the year, although the story varies amongst its various sectors.
- Infrastructure was least affected by the initial lockdown as it was considerably easier to enact site operating procedures and other safety measures on large sites. In 2021, output is set to increase by 29.3%, reaching its highest level on record. This will be driven by activity on major projects such as HS2, despite the announcement of further delays and cost overruns, as well as activity on long-term frameworks in regulated sectors such as water, roads, electricity and broadband.

Gross Domestic Product Forecasts

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

- The mean GDP forecast for 2021 is 6.0% growth, up from 5.4% growth in the previous month's survey.
- The mean GDP growth forecast for 2022 is 5.4%, down from 5.6% in the previous month's survey.

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

- UK GDP is projected to grow by 7.1% in 2021 and grow by 5.5% in 2022.
- Global GDP is projected to rise by around 6.0% in 2021 after a 3.5% contraction in 2020, bringing most of the world back to pre-pandemic GDP levels by the end of 2022. GDP is projected to grow by 7.1% in 2021 and grow by 5.5% in 2022.

- The global economy remains below its pre-pandemic growth path and in many OECD countries, living standards by the end of 2022 will not be back to the level expected before 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 2 June 2021.

- Imports of construction materials decreased by £294 million in Q1 2021 compared to the previous quarter, a decrease of 6.0%.
- Exports of construction materials decreased by £157 million in Q1 2021 compared to the previous quarter, a decrease of 8.5%.

Builders Merchant Building Index

The [Builders Merchant Building Index](#) for Quarter 1 2021 was published by the **Builders Merchants Federation** and **GfK** on 26th May 2021.

- Total Builders' Merchants' sales in Q1 2021 saw growth of 15.1% compared to Q1 2020 and 6.0% compared to Q1 2019.
- Timber Joinery drove growth against 2020 with an increase of 30.5% with Heavy Building Materials and Landscaping up by 10.3% and 41.4% respectively. Ironmongery, Services, Tools and Plumbing, Heating Electrical were the other areas to see growth.
- January 2021 was down 3.7% versus January 2020, with February 2021 seeing year-on-year growth of 2.3%. March 2021 was a record month for the industry, increasing by 47.4% against March 2020 and

23.0% against March 2019 albeit with 2 extra trading days against the latter. When recalculated to take into consideration March trading days in 2019 and 2020, the market still increased by 12.3%.

- Further into March some noteworthy trends can be observed. The monthly BMBI report highlights the top-level categories being tracked in the market, but there are also 74 lower-level categories that feed into these. Examples would include Timber feeding into Timber Joinery and Bricks feeding into Heavy Building Materials. Thirty-seven of those 74 lower-level categories saw record sales during March 2021 with some of the big hitters including Timber, Bricks, Aggregates, Insulation, Cement and Plasterboard. It was however not only the core categories seeing record sales, but also areas such as Toolhire Hire Services, Plumbing Equipment, Power Tools, Hand Tools and Boilers, Tanks and Boiler Accessories.

| Expected dates for future construction output releases | |
|--|---------------------------------|
| <i>Release for:</i> | <i>Publication date:</i> |
| May 2021 | 9 th July 2021 |
| June 2021 | 12 th August 2021 |
| July 2021 | 10 th September 2021 |

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