

# Monthly Construction Update

Business Statistics Team

15<sup>th</sup> January 2021



Department for  
Business, Energy  
& Industrial Strategy

Restrictions aimed at curbing the spread of Covid-19 have been tightened substantially across the United Kingdom in recent weeks. Consequently, much of the data on which this update is based was collected during periods in which the restrictions differed from those currently in place.

**Construction output grew by 1.9% in November 2020 and by 12.4% in the three months to November**

The **Office for National Statistics** published a provisional estimate of [construction output](#) for November 2020 this morning:

- Construction output grew by 1.9% in the month-on-month all work series in November 2020, because of a 3.5% increase in new work, offsetting a 0.6% fall in repair and maintenance. This was the seventh consecutive month of growth since the 40.7% decline in April 2020.
- The level of construction output in November 2020 was 0.6% above the February 2020 level, with repair and maintenance work 7.4% above and new work 3.1% below its pre-pandemic level.

**Figure 1: The monthly index in November 2020 shows the level of construction output recovered above its February 2020 level for the first time**

Monthly all work index, chained volume measure, seasonally adjusted,  
Great Britain, January 2010 to November 2020



- The monthly increase in new work (3.5%) in November 2020 was because of growth in all new work sectors apart from public new housing and public other new work, which fell by 2.4% and 2.8% respectively.
- Construction output grew by 12.4% in the three months to November 2020 compared with the previous three-month period, because of growth in both new work (11.9%) and repair and maintenance (13.2%).

**Gross Domestic Product fell by 2.6% in November 2020**

The **Office for National Statistics** also published their estimate of [GDP](#) for November 2020 this morning:

- GDP fell by 2.6% in November 2020, back to 8.5% below the levels seen in February 2020, following six consecutive monthly increases.
- The services sector fell by 3.5% and production fell by 0.1% in November 2020, whilst construction grew by 1.9% in the same period.

## IHS Markit CIP UK Construction Purchasing Managers Index for December 2020

IHS Markit CIPS published their latest [construction purchasing managers index](#) for December on 7<sup>th</sup> January 2021.

- UK construction companies recorded a sustained rebound in business activity during December 2020 according to the latest PMI data. Stronger order books helped drive the recovery across the sector, with survey respondents often citing work on projects that had been delayed earlier in the year. Higher levels of demand led to a slight rise in employment and demand for construction inputs. But, stretched supply chains and delays at ports led to longer delivery times and the fastest rise of input cost inflation since April 2019.
- Total Activity Index  
sa, >50 = growth since previous month

Source: IHS Markit / CIPS.
- At 54.6 in December, little changed from 54.7 in November, the headline seasonally adjusted IHS Markit/CIPS UK Construction Total Activity Index registered above the 50.0 no-change value for the seventh consecutive month growth.
  - Increased construction activity primarily reflected another sharp rise in house building during December (index at 61.9). Commercial activity also expanded (51.2), but the rate of growth eased to its lowest levels since the recovery began last June. Civil engineering was the weakest performing category (48.0), as activity fell for the fourth time in the past 5 months.
  - Total new orders increased at a strong pace in December, extending the current expansion to seven months. Survey respondents noted increasing client demand, alongside a boost from new business wins on construction projects deferred since the start of the pandemic.
  - Purchasing prices increased at the steepest rate for just under two years, reflecting supply shortages and strong demand for construction inputs.
  - December data also indicated a return to job growth in the construction sector, though the rate of increase was marginal. Additional hiring reflected forthcoming new projects and improved confidence in the business outlook.

## Business Insights and Impact on the UK economy

The Office of National Statistics published [Business insights and impact on the UK economy](#), on 14<sup>th</sup> January, based on responses from the voluntary fortnightly business survey (BICS). Businesses were asked for their experiences for the reference period 29<sup>th</sup> December 2020 to 10<sup>th</sup> January 2021.

- Weighted by count, 12.0% of all construction firms surveyed said they had temporarily closed or paused trading and did not intend to restart in the next two weeks. Some 14.9% had paused trading but intended

to re-start in the next two weeks. A further 3.9% said that they had started trading within the last two weeks after a pause in trading.

- Weighted by turnover, 3.5% of construction firms still trading said turnover had decreased by more than 50%. A further 29.9% said turnover had decreased, but by less than 50%.
- Weighted by turnover, 6.0% of construction firms which had not permanently stopped trading said they had no cash reserves. 34.1% 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 3.1% for construction businesses still trading.
- Weighted by count, 36.0% 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, 11.7% of construction businesses that had not permanently stopped trading said they had no or low confidence they would survive the next 3 months, whilst 44.9% had moderate confidence.
- Weighted by count, 4.6% of currently trading construction businesses said they were not prepared for the end of the EU transition period, 11.8% said they were somewhat prepared, 7.4% said they were fully prepared and 72.3% said it was not relevant for their business.

**HMRC** updated experimental statistics about the [Coronavirus Job Retention Scheme](#) on 17<sup>th</sup> December 2020.

- In construction, furloughing peaked on 14 April with 724,000 employments furloughed, falling to 596,000 on 31<sup>st</sup> May, 404,000 on 30 June, 300,000 on 31<sup>st</sup> July, 204,000 on 31<sup>st</sup> August, 163,000 on 30<sup>th</sup> September and 131,000 on 31<sup>st</sup> October. The total value of claims up to 31<sup>st</sup> October was £3.8 billion.

**HMRC** also published further experimental statistics on the [Self-Employment Income Support Scheme](#) (SEISS) on 25<sup>th</sup> November 2020.

- Construction is the sector with the highest number of potentially eligible individuals (1.1 million) for the second SEISS grant.
- By 31<sup>st</sup> October, self-employed construction workers had made 800,000 claims for the second SEISS grant, totalling £2.4bn, an average of £3,100 per claimant. This was the second highest average value behind the finance and insurance activities sector at £3,600.

### 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** have published scenarios for construction as part of their analysis of the [market impact](#) in October 2020.

- The CPA main scenario for construction output in 2020 anticipates a 14.5% fall as the construction industry shows promising signs of recovery from the coronavirus pandemic. Demand for new private housing and private housing repair, maintenance and improvement (rm&i), as well as strong growth in the infrastructure sector, are expected to support recovery for the industry towards the end of this year and into the next following historic falls in output during lockdown.
- The prospects, however, of both a deterioration in labour market conditions along with a potential 'No Deal' Brexit deal at the end of December mean that the upcoming winter will be decisive for how far such a recovery can be sustained.
- Construction output is anticipated to rise by 13.5% in 2021 following the sharpest fall on record in 2020.

### Gross Domestic Product Forecasts

The latest monthly **Consensus Economics** [forecast survey](#) (which uses an average of private sector forecasts) results were published in December 2020.

- The mean GDP growth forecast for 2020 is -11.1%, down from -11.0% in the previous month's survey.
- The mean GDP growth forecast for 2021 is 5.3%, up from 4.7% growth in the previous month's survey.

The **OECD** published their latest [Economic Outlook](#) in December 2020:

- UK GDP was projected to fall by 11.2% in 2020 and grow by 4.2% in 2021.
- After a strong decline in 2020, global GDP was projected to rise by around 4.25% in 2021, and a further 3.75% in 2022. Overall, by the end of 2021, global GDP would be at pre-crisis levels, helped by the strong recovery in China, but performance would differ markedly across the main economies.

### Bank of England Summary of Business Conditions

The **Bank of England** published its latest update to the [Agents' Summary of Business Conditions](#) on 17<sup>th</sup> December 2020, covering intelligence gathered between mid-November and early December 2020.

- Activity picked up in most areas except for commercial development, with output mostly supported by infrastructure projects. Contacts reported that public sector repair and maintenance work was holding up, and demand for household repair and maintenance work was strong. This had resulted in shortages of some materials, constraining output.

- Construction of private new build housing was reported to be close to normal levels, driven in part by strong consumer demand. However, contacts said they expected demand to slow in the coming months when government support measures, such as the temporary reduction in stamp duty and the current form of the Help to Buy scheme, come to an end. And construction of social housing was weaker than for private housing due to the postponement of projects.
- Contacts expressed concerns about the weak pipeline of commercial projects, such as office and retail development, which could weigh on output in 2021. There was also some concern that public projects could be delayed due to budget constraints. However, there were hopes that investment in green projects would support activity further out.

### Building Materials

The latest [Monthly Statistics of Building Materials and Components](#) were published by **BEIS** on 13<sup>th</sup> January 2021.

- There was a 3.3% decrease in brick deliveries in November 2020 compared to November 2019, according to the seasonally adjusted figures. The month-on-month change shows a 1.5% increase in November 2020.
- The material price index of 'All Work' increased by 3.1% in November 2020 compared to the same month the previous year. 'New Housing' increased by 3.2%, 'Other New Work' by 3.2% and 'Repair & Maintenance' by 2.9%. The month-on-month change for 'All Work' shows an increase of 0.4%.

### Builders Merchant Building Index

The [Builders Merchant Building Index](#) for quarter 3 2020 was published by the **Builders Merchants Federation** and **GfK** on 23<sup>rd</sup> November 2020.

- Total Builders' Merchants' sales up by 63.2% in Quarter 3 2020 compared to Quarter 2 2020 (+53.2% when adjusted for trading days in each quarter). September 2020 sales increased by 8.3% compared to September 2019, albeit with one extra trading day.
- Total Builders' Merchants' sales in Q3 2020 saw growth of 1.0% compared to Q3 2019. Of the two largest categories, Timber & Joinery grew by 3.5% in value from Q3 2019, while Heavy Building Materials saw a decrease of 1.0%.
- Landscaping was the big winner with year-on-year sales growth of 24.2% in value, with performance driven by Decking, Garden Walling / Paving and Fencing & Gates, which all saw substantial growth from last year. Timber was the key driver in Timber & Joinery growth, with Cladding also contributing. Heavy Building Materials' small decline was due to a mix of single digit increases and decreases across the board, with Aggregates, Bricks, Cement and Roofing Products the best performing subcategories.
- Year on year sales declined in some categories, with both Plumbing, Heating & Electrical (-11.9%) and Kitchens & Bathrooms (-7.1%) down on Q3 2019.

Date of future construction output releases	
<i>Release for:</i>	<i>Publication date:</i>
December 2020	10 <sup>th</sup> February 2021
January 2021	12 <sup>th</sup> March 2021
February 2021	13 <sup>th</sup> April 2021

Business Statistics team | Analysis Directorate | Department for Business, Energy and Industrial Strategy  
[materialstats@beis.gov.uk](mailto:materialstats@beis.gov.uk)