

Monthly Construction Update

Business Statistics Team

9th July 2021



Department for
Business, Energy
& Industrial Strategy

Construction output fell by 0.8% in May 2021

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

- Construction output fell 0.8% in May 2021 with the level of output remaining slightly above its pre-pandemic February 2020 level; new work and repair and maintenance both contributed to the monthly decline in May 2021 with anecdotal evidence from businesses suggesting the adverse weather conditions were a contributing factor.
- Monthly construction fell by 0.8% in May 2021 from a month earlier because of declines in both new work (0.4%) and repair and maintenance (1.5%).

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



Source: Office for National Statistics - Construction Output and Employment

- The level of construction output in May 2021 was 0.3% (£43 million) above the February 2020 pre-pandemic level; while new work was 3.5% (£320 million) below the February 2020 level, repair and maintenance work was 7.5% (£363 million) above the February 2020 level.
- In contrast to the monthly fall, construction output grew by 6.3% in the three months to May 2021 compared with the previous three-month period, with increases in both new work and repair and maintenance of 6.6% and 5.8% respectively.
- The increase in new work (6.6%) in the three months May 2021 was because of growth seen in all sectors, the largest contributors to this growth were private housing new work and infrastructure, which grew by 7.4% and 9.7% respectively.
- The increase in repair and maintenance (5.8%) in the three months to May 2021 was because of growth in non-housing and private housing repair and maintenance, which grew by 9.0% and 4.7% respectively.

Gross Domestic Product grew by 0.8% in May 2021

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

- GDP is estimated to have grown by 0.8% in May 2021, the fourth consecutive month of growth, but remains 3.1% below the pre-coronavirus (COVID-19) levels seen in February 2020.
- The service sector grew by 0.9% in May 2021 – accommodation and food service activities grew by 37.1% as restaurants and pubs welcomed customers back indoors following the easing of coronavirus restrictions.
- Output in the production sector returned to growth in May 2021, at 0.8%, mainly because of adverse weather conditions in May boosting output in electricity, gas and air supply.

IHS Markit CIP UK Construction Purchasing Managers Index for June 2021

IHS Markit CIPS published their latest [construction purchasing managers index](#) for June 2021 on 6th July 2021.

- The recovery in UK construction output gained further momentum during June, according to the latest PMI data. Overall construction activity expanded at the fastest pace since June 1997, supported by another sharp rise in new orders.
- Suppliers' delivery times lengthened to the greatest extent since the survey began just over 24 years ago,

IHS Markit / CIPS UK Construction PMI Total Activity Index
sa, >50 = growth since previous month



Sources: IHS Markit, CIPS.

- surpassing the previous record seen in April 2020. Severe shortages of construction products and materials resulted in a survey record rise in purchasing prices in June.
- At 66.3 in June, up from 64.2 in May, the seasonally adjusted IHS Markit/CIPS UK Construction PMI Total Activity Index signalled the strongest rate of output growth in 24 years. Sharp increases in business activity were seen across all three main areas of the construction sector monitored by the survey.
- Construction work in the house building sub-category (index at 68.2) increased at the fastest pace since November 2003. The second-best performing area was commercial work (66.9), with output rising at the strongest rate since March 1998. Meanwhile, civil engineering activity rose sharply in June (60.7), but the speed of growth eased to a three-month low.
- Survey respondents commented on a rapid turnaround in demand for new construction work, especially residential building and commercial projects related to the reopening of the UK economy. Total new orders have increased in each of the past 13 months, although the latest expansion was slower than May's survey-record high.

The Office of National Statistics published [Business insights and impact on the UK economy](#), on 1st June 2021, based on responses from the voluntary fortnightly business survey (BICS).

- Between 14th June and 27th June 2021, weighted by count, 7.2% of all construction firms surveyed said they had paused trading and did not intend to restart in the next two weeks.
- Between 31st May and 13th June 2021, weighted by turnover, 2.6% of construction firms still trading said turnover had decreased by more than 50%. A further 20.9% said turnover had decreased, but by less than 50%.
- Between 14th June and 27th June 2021, weighted by turnover, 4.2% of construction firms which had not permanently stopped trading said they had no cash reserves. 30.4% said they had cash reserves, but these would last less than three months.
- Between 31st May and 13th June 2021, 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. Of these, 44.8% were fully furloughed.
- Between 14th June and 27th June 2021, weighted by count, 31.3% of construction businesses that had not permanently stopped trading said they were using, or intending to use, the Coronavirus Job Retention Scheme (furlough).
- Between 14th June and 27th June 2021, weighted by count, 9.5% of construction businesses that had not permanently stopped trading said they had low or no confidence they would survive the next 3 months: 42.3% had moderate confidence.

HMRC updated experimental statistics about the [Coronavirus Job Retention Scheme](#) on 1st July 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, 167,000 on 30th April and 139,000 on 31st May.
- 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 31st May 2021 was around £1.4 billion.

HMRC published further experimental statistics on the [Self-Employment Income Support Scheme](#) (SEISS) on 1st July 2021.

- Construction is the sector with the highest number of potentially eligible individuals (1.0 million) for the fourth SEISS grant.
- By 6th June 2021, self-employed construction workers had made 647,000 claims for the fourth SEISS grant, totalling £2.2bn, 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 (rig) 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 June 2021.

- The mean GDP forecast for 2021 is 6.6% growth, up from 6.0% growth in the previous month's survey.

- The mean GDP growth forecast for 2022 is 5.3%, down from 5.4% in the previous month's survey.

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

- UK GDP is projected to grow by 7.2% 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 24th June 2021, covering intelligence gathered between mid-April and early June 2021.

- Construction output picked up sharply from earlier in the year, driven by housebuilding and public infrastructure projects, but there were some concerns that materials shortages could limit output.
- Construction of new homes continued to be strong, with demand supported by the extension of the transaction tax holiday in some parts of the UK and the growing availability of high loan to value mortgages. Home improvement and repair and maintenance activity also supported output.
- Public infrastructure projects continued to support construction 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.
- By contrast, private commercial work remained substantially weaker than a year ago, in particular for retail, hospitality, higher education and office developments. However, construction of logistics, warehousing and technology premises remained strong.
- Contacts reported severe materials shortages, including for cement and timber, and there were some concerns about shortages limiting output. Labour shortages were also an issue for some contacts.

Building Materials

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

- There was a 3.6% increase in brick deliveries in May 2021 compared to February 2020 (before the start of national restrictions due to the Covid-19 pandemic), according to the seasonally adjusted figures. The month-on-month change shows a 3.0% increase in May 2021.
- There was an 1.5% decrease in concrete block deliveries in May 2021 compared to February 2020 according to the seasonally adjusted figures. The month-on-month change shows a 0.2% decrease in May 2021.

Builders Merchant Building Index

The [Builders Merchant Building Index](#) for April 2021 was published by the **Builders Merchants Federation** and **GfK** on 18th June 2021.

- Total Builders' Merchants' sales in April 2021 were 419.2% higher compared to April 2020 and 22.1% higher than April 2019. Compared with March 2021, sales in April 2021 were 0.9% lower, with three fewer trading days.
- Compared to April 2020, Tools (+1188.1%) followed by Kitchens & Bathrooms (+706.3%), did best. Other categories exceeding 500% increases were Timber & Joinery Products (+555.8%) and Landscaping (+538.4%). Work and Safetywear (+175.8%) was the weakest category.
- Compared to April 2019, eleven of the twelve categories sold more. Landscaping (+63.3%) led the field. Kitchens & Bathrooms (-1.3%) was the only category that sold less in April this year than in April 2019.
- In March 2021, two categories sold more than in April, with Landscaping (+15.5%) doing best, followed by Timber & Joinery Products (+0.4%). The three weakest categories were Tools (-8.3%), Workwear & Safetywear (-12.0%) and Plumbing Heating & Electrical (-13.1%) Average sales a day in April were 14.0% higher than March, with all categories selling more.
- April 2021's BMBI index was 150.6, only marginally behind March 2021's record breaking 151.9.

Expected dates for future construction output releases

<i>Release for:</i>	<i>Publication date:</i>
June 2021	12 th August 2021
July 2021	10 th September 2021
August 2021	13 th October 2021

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