

# Monthly Construction Update

Business Statistics Team

10<sup>th</sup> September 2021



Department for  
Business, Energy  
& Industrial Strategy

## Construction output fell by 1.6% in July 2021

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

- Monthly construction output fell by 1.6% in July 2021, with the level of output now below its pre-coronavirus (COVID-19) pandemic February 2020 level. New work, and repair and maintenance contributed to the monthly decline in July 2021, with anecdotal evidence from businesses suggesting that price increases and product shortages caused by supply chain issues were the main reasons for the decline.
- The level of construction output in July 2021 was 1.8% (£257 million) below the February 2020 pre-pandemic level. New work was 3.2% (£285 million) below the February 2020 level, repair and maintenance work was 0.6% (£27 million) above the February 2020 level.
- The recovery is mixed at a sector level, with infrastructure the best performing sector over the pandemic at 35.7% (£649 million) above its February 2020 level and private commercial the worst performing sector over the pandemic at 20.3% (£481 million) below its February 2020 level in July 2021.
- Monthly construction output fell by 1.6% in volume terms in July 2021 because of declines in both new work (1.1%) and repair and maintenance (2.4%).
- The decline in monthly output in volume terms in July 2021 came mainly from private housing, which saw falls in both new work, and repair and maintenance of 7.5% and 6.2% respectively; this was driven by the impact of price increases likely caused by product shortages in the sector.
- Alongside the monthly fall, construction output fell by 0.6% in volume terms in the three months to July 2021, the first three-monthly fall since February 2021, driven by a fall in repair and maintenance of 2.9%.
- The decline in repair and maintenance (2.9%) in the three months to July 2021 was mainly because of a fall in private housing repair and maintenance, of 8.3%.
- New work saw an increase of 0.7% in the three months to July 2021; the largest contributors to this growth were infrastructure and to a lesser extent private industrial, which grew by 17.5% and 8.2% respectively.

Monthly all work index, chained volume measure, seasonally adjusted,

Great Britain, January 2010 to July 2021



Source: Office for National Statistics - Construction Output and Employment

## Gross Domestic Product grew by 0.1% in July 2021

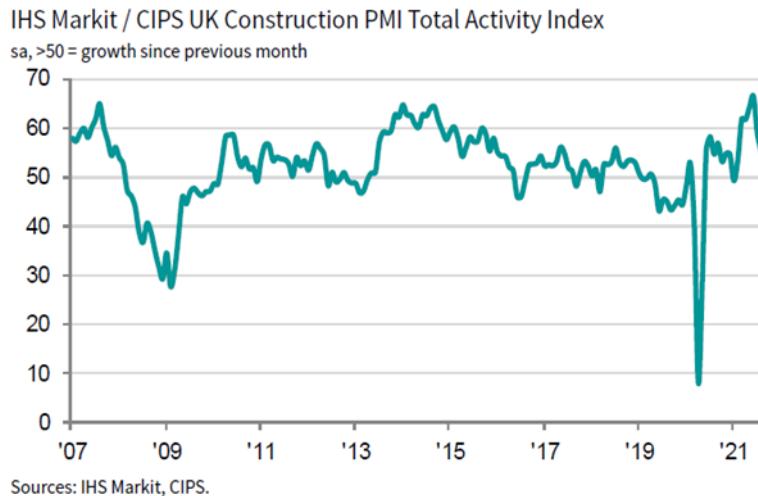
The **Office for National Statistics** published their estimates of GDP for [July 2021](#) this morning:

- GDP is estimated to have grown by 0.1% in July 2021, but remains 2.1% below the pre-coronavirus (COVID-19) level (February 2020).
- Production output increased by 1.2% in July 2021 and was the main contributor to GDP growth; boosted by the reopening of an oil field production site, which had temporarily closed for planned maintenance.
- Construction contracted for a fourth consecutive month, with output down by 1.6% in July 2021, and is now 1.8% below its pre-pandemic level (February 2020).
- Services output remained broadly flat in July 2021 and remains 2.1% below its pre-pandemic level (February 2020).
- Arts, entertainment and recreation activities grew by 9.0%, boosted by sports clubs, amusement parks and festivals, and reflecting the easing of restrictions on social distancing from 19 July 2021.
- Output in consumer-facing services fell by 0.3% in July 2021, its first fall since January 2021 mainly because of a 2.5% fall in retail sales.

## IHS Markit CIP UK Construction Purchasing Managers Index for July 2021

**IHS Markit CIPS** published their latest [construction purchasing managers index](#) for August 2021 on 6<sup>th</sup> September 2021.

- UK construction companies signalled a further increase in output volumes during August. However, the pace of growth eased from the previous survey period, with softer expansions across housebuilding, commercial work and civil engineering activity, as well as in new order growth. Moreover, companies noted sustained and severe supply chain disruption in August, contributing to an accelerated rise in input prices, the second sharpest in the history of the survey.



- The headline seasonally adjusted IHS Markit/CIPS UK Construction PMI Total Activity Index posted 55.2 in August, down from 58.7 in July, indicating activity has expanded in each of the last seven months. The rate of increase eased to the softest since February as restricted supply of materials and transport began to weigh on overall construction activity.

- Commercial work (index at 56.0) was the best performing broad category of construction output in August, though the rate of expansion was the slowest for six months. This was followed closely by housebuilding (55.0), while civil engineering remained the slowest growing subsector (54.8) for the fourth month in a row.
- Total new work increased for the fifteenth consecutive month in August. While the latest improvement in order books was marked overall, the rate of growth softened to the weakest since March.

### **Business Insights and Impact on the UK economy**

The Office of National Statistics published [Business insights and impact on the UK economy](#) on 9<sup>th</sup> September 2021, based on responses from the voluntary fortnightly business survey (BICS).

- Between 23<sup>rd</sup> August and 5<sup>th</sup> September 2021, weighted by count, 4.7% of all construction firms surveyed said they had paused trading and did not intend to restart in the next two weeks.
- Between 9<sup>th</sup> August and 22<sup>nd</sup> August 2021, weighted by turnover, 2.9% of construction firms still trading said turnover had decreased by more than 50%. A further 18.6% said turnover had decreased, but by less than 50%.
- Between 9<sup>th</sup> August and 22<sup>nd</sup> August 2021, weighted by count, 49.9% of construction firms currently trading said that prices of materials, goods or services had increased more than normal. 15.0% said that prices had not changed any more than normal and 6.3% said that some prices had increased and some had decreased.
- Between 9<sup>th</sup> August and 22<sup>nd</sup> August 2021, weighted by employment, the average proportion of the workforce on partial or furlough leave was 7.5% for construction businesses that had not permanently stopped trading. Of these, 46.7% were fully furloughed.

HMRC updated experimental statistics about the [Coronavirus Job Retention Scheme](#) on 1<sup>st</sup> September 2021.

- In construction, furloughing peaked on 14 April 2020 with 724,000 employments furloughed, falling to 131,000 on 31<sup>st</sup> October, before rising to 246,000 on 31<sup>st</sup> January 2021. On 28<sup>th</sup> February 2021 there were 231,000 furloughed employments, falling to 198,000 on 31<sup>st</sup> March, 167,000 on 30<sup>th</sup> April and 140,500 (revised) on 31<sup>st</sup> May. The latest published figure is 129,600 on 30<sup>th</sup> June, the lowest level since the scheme began.
- The total value of claims up to 30<sup>th</sup> October 2020 was around £3.8 billion. The provisional value of claims between 1<sup>st</sup> November 2020 and 30<sup>th</sup> June 2021 was around £1.4 billion, of which £259 million was claimed between 1<sup>st</sup> May and 30<sup>th</sup> June.

HMRC published further experimental statistics on the [Self-Employment Income Support Scheme](#) (SEISS) on 2<sup>nd</sup> September 2021.

- Construction is the sector with the highest number of potentially eligible individuals (1.0 million) for the fourth SEISS grant.
- By 31<sup>st</sup> July 2021, self-employed construction workers had made 884,000 claims for the fourth SEISS grant, totalling £3.1bn, an average of £3,500 per claimant. This was the second highest average value behind the finance and insurance activities sector at £4,200.

## Construction Output Forecasts for 2021 and 2022

**Experian** published their Summer 2021 [forecasts](#) for the construction sector in July 2021:

- The construction sector saw a double-digit decline in output, of 14%, in 2020 as the pandemic brought activity to a halt in the first half of the year. However, the recovery of the construction sector has been reasonably robust relative to other sectors of the economy and this strength has persisted into the first quarter of 2021.
- Construction output is forecast to grow by 11.8% in 2021, by 5.6% in 2022 and by 3.2% in 2023.
- While all sectors within construction will see a similar pattern of recovery, with the bulk of the rebound in 2021 and growth reverting to trend thereafter, there are notable differences in the pace of expansion and risks.
- New work is forecast to grow by 12.4% in 2021, and 6.4% in 2022, whilst repair and maintenance is forecast to grow by 10.7% this year and 4.2% in 2022.

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

- Construction output is buoyant and is forecast to rise by 13.7% in 2021 and 6.3% in 2022. The positive outlook comes despite the constraints of shortages and cost rises in imported construction products and skilled labour over the next 12 months. Infrastructure and private housebuilding are expected to be key drivers of construction growth in 2021 and 2022, while the outlook for the commercial sector remains subdued.
- Major projects such as the nuclear power station Hinkley Point C, the Thames Tideway tunnel and the High Speed 2 (HS2) rail project are central to strong output in the infrastructure sector. While the CPA has revised down its infrastructure forecast for 2021 to 23.4%, it has upwardly raised its forecast for 2022 to 9.7% for 2022 owing to further delays and cost overruns on major projects.
- Major house builders report that demand in the housing market and house price inflation continues to be robust. The CPA forecasts house building starts to rise by 20.9% in 2021 and a further 9.0% in 2022. This is despite the government's stamp duty holiday and Help to Buy schemes continuing currently in a restricted form.
- Changes to the way people work as a result of the coronavirus pandemic have also positively impacted on private housing repair, maintenance and improvements (rm&i), which has been the quickest construction sector to recover since the initial national lockdown.
- In the commercial sector, the beginning of the year saw a rise in activity owing to fit-out work remodelling offices for staff to return in a socially distant manner. This was also the case in retail and leisure where refurbishing, reusing and repurposing helped prepare for reopening as social distancing restrictions eased.

## Gross Domestic Product Forecasts

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

- The mean GDP forecast for 2021 is 6.8% growth, unchanged from the previous month's survey.
- The mean GDP growth forecast for 2022 is 5.4%, up from 5.3% 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 24<sup>th</sup> 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 1<sup>st</sup> September 2021.

- The material price index for 'All Work' increased by 4.5% in July 2021 compared to June 2021 and by 20.1% compared to July 2020.

- There was a 20.9% increase in brick deliveries in July 2021 compared to July 2020 according to the seasonally adjusted figures. The month-on-month change shows a 5.3% increase in July 2021.
- There was a 10.7% increase in concrete block deliveries in July 2021 compared to July 2020 according to the seasonally adjusted figures. The month-on-month change shows a 5.5% decrease in June 2021.

### Builders Merchant Building Index

The [Builders Merchant Building Index](#) for Quarter 2 2021 was published by the **Builders Merchants Federation** and **GfK** on 23<sup>rd</sup> August 2021.

- Total Builders' Merchants' sales in Q2 2021 were 96.0% higher than in Q2 2020, with no difference in trading days. Four categories had their best ever quarterly sales: Timber & Joinery Products (134.6%), Ironmongery (+105.9%), Heavy Building Materials (+81.4%) and Landscaping (+71.1%).
- Total sales in Q2 2021 were 20.3% higher than in Q2 2019, again with no difference in trading days. All categories sold more. Landscaping (+48.3) did best, with Timber & Joinery Products (+41.3%) close behind.
- Total value sales in Q2 2021 were 24.1% higher than in Q1 2021, with two less trading days in Q2. Ten of the 12 categories sold more with Landscaping leading the field (+67.8%).
- Total value sales were up 29.5% in June 2021 compared with June 2020, with no difference in trading days. Timber & Joinery Products (+57.5%) did best, recording its highest ever BMBI monthly sales.
- Compared with June 2019, total value sales were up 32.3% in June 2021, helped by two more trading days this year.
- The Q2 BMBI index was 149.7, with Landscaping (237.5) and Timber & Joinery Products (183.0) the strongest performers.

### Expected dates for future construction output releases

<i>Release for:</i>	<i>Publication date:</i>
August 2021	13 <sup>th</sup> October 2021
September 2021	11 <sup>th</sup> November 2021
October 2021	10 <sup>th</sup> December 2021