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Fourth Consecutive Quarter of Construction Growth but Cost Rises a Key Concern

The latest Construction Trade Survey, published today, shows that construction activity rose in Q1, the first time in six years that the industry has enjoyed four consecutive quarters of growth in activity. Firms across all areas of construction reported increased output including building contractors, SMEs, specialist contractors, civil engineers and product manufacturers.

Commenting on the survey, Dr Noble Francis, Economics Director at the Construction Products Association, said: "Firms across construction reported rises in output during Q1 and increases in orders and enquiries clearly indicate that activity will continue to rise throughout 2014.

"Unsurprisingly, private new housing was the key driver of construction activity. On balance, 57% of contractors stated that sector output rose in Q1 compared with a year ago, a considerable rise from the 20% balance reported in 2013 Q4. In addition, output in commercial offices and retail, the largest construction sector, rose for 22% of contractors, on balance, compared with a year earlier. This is a significant rise from the 8% balance reported just three months ago.

"Tender prices rose in Q1 but any boost from this is likely to occur when the resulting work hits the ground later this year. Currently, the key concerns are rising costs and skills availability in specific sectors such as private new housing. Overall, the industry reported that there weren't serious problems recruiting construction trades. However, 61% of building contractors reported that it was difficult to obtain bricklayers during Q1 compared with 41% in Q4 and only 10% one year ago. A further 28% reported that they had difficulty recruiting carpenters in Q1, slightly lower than the 32% in Q4 but contrasting sharply with only 3% experiencing difficulties recruiting carpenters in just one year ago."

Stephen Ratcliffe, Director UKCG, said: "The encouraging news is that contractors have now reported four consecutive quarters of growth – with 16% of contractors reporting a rise in output during the first quarter. However, looking beneath this headline reveals that growth continues to be led by private housing, although new work within wider construction showed positive signs."

Paul Senior, National Chair of the National Federation of Builders, added: "Rising workloads and increases in future orders are good news, but behind those figures are areas of concern. Higher labour costs and a lack of available skills are a ticking time bomb that needs to be defused urgently otherwise, for many SMEs, the premiums attached to the cost of simply building will become unsustainable."

Key survey findings include:

- 57% of building contractors reported that, on balance, private new housing output rose during 2014 Q1 compared with 20% in 2013 Q4;
- 22% of building contractors reported that, on balance, commercial offices and retail output rose during 2014 Q1 compared with 8% in 2013 Q4;
- 11% of firms reported that, on balance, housing repair and maintenance output fell during 2014 Q1;
- 47% of firms reported tender prices rose in 2014 Q1 versus only 2% in 2013 Q4;
- 77% of building contractors reported that costs rose in 2014 Q1 compared with 63% in 2013 Q4;
- 89% of firms reported rises in material costs in Q1, considerably higher than the 65% of firms reporting material cost rises in Q4;
- 50% of firms reported rises in labour costs, higher than the 34% of firms reporting labour cost rises in Q1 and 7% at the start of the 2013;
- 61% of firms reported that it was difficult to obtain bricklayers during the first quarter of 2014, compared with 41% in Q4 and 10% one year earlier;
- 28% reported that they had difficulty recruiting carpenters in Q1, slightly lower than the 32% in Q4 but contrasts sharply with only 3% in 2013 Q1;
- No specialist contractors reported only receiving payment after more than 90 days and 14% of specialists reported being paid within 30 days.

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NOTE TO EDITORS:

CONSTRUCTION PRODUCTS ASSOCIATION:
The Construction Products Association represents the UK's manufacturers and distributors of construction products and materials. The sector directly provides jobs for 300,000 people across 20,000 companies, has an annual turnover of more than £40 billion and accounts for over 1/3 of total construction output. The Association acts as the leading voice to promote and campaign for this vital UK industry.

The Construction Trade Survey is one of a range of economic publications produced by the Association, including the Construction Industry Forecasts and the State of Trade Survey. These reports are available to Association members and interested parties via our website.

NATIONAL FEDERATION OF BUILDERS:
The National Federation of Builders (NFB) represents around 1,500 builders and contractors across England and Wales. In addition to providing specialist advice and business services, the federation, with a network of four regional offices, lobbies local, national and European government on a range of issues to sustain positive trading conditions for members. With origins dating back to 1876, today's NFB is a modern organisation providing the medium sized contractor and smaller builder with an unparalleled package of services.

NATIONAL SPECIALIST CONTRACTORS COUNCIL:
The National Specialist Contractors Council (NSCC) brings together the common aims of specialist trade organisations within the construction industry and is the authoritative voice of Specialist Contractors in the UK. NSCC has 29 member organisations that collectively represent over 7,000 Specialist Contractors engaged in the planning, design, construction, refurbishment and maintenance of the built environment in both the commercial and domestic sectors. By using the collective strength of the specialist sector, NSCC has the influence to make a real difference to how the UK construction industry operates.

CIVIL ENGINEERING CONTRACTORS ASSOCIATION:
The Civil Engineering Contractors Association (CECA) has over 300 member firms that carry more than 80% of all civil engineering work in Great Britain. The CECA survey of civil engineering workload trends, in which more than a third of the membership takes part, tests for changes over the past year in contractors' workload, workforce, order books, cost trends, and tender prices. It also examines the supply situation for key resources, and contractors' expectations of trends in new orders and employment in the coming 12 months.

UK CONTRACTORS GROUP:
The UK Contractors Group (UKCG) represents more than 30 leading contractors operating in the UK. Its mission is to represent contractors' interests to government and key clients and to encourage contractors to work together to promote change and best practice, especially on health and safety and environmental issues. UKCG also works closely with the CBI Construction Council to ensure that contractor's interests are properly reflected in the wider business agenda.

FEDERATION OF MASTER BUILDERS:
The Federation of Master Builders (FMB) is the UK's largest trade association in the building industry, with nearly 10,000 small and medium-sized (SME) construction firms operating across England, Wales, Scotland and Northern Ireland. Established in 1941 to protect the interests of SME building firms, the FMB is independent and non-profit-making, lobbying for members' interests at both national and local levels.

The FMB is a source of knowledge, professional advice and support for its members, providing a range of modern and relevant business building services to save them time and money. The FMB also offers advice to consumers via its "Find a Builder" service. Within its membership, around 38% of FMB members engage in house building either as their primary function or as part of the suite of building services they provide, but most are primarily active in the domestic RM&I market.

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