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Product Sales Point to Construction Weakness in Q3 but Manufacturers Remain Optimistic for the Year Ahead

The Construction Product Association's State of Trade Survey for the third quarter of 2015 indicates construction product manufacturers' sales increased for a tenth consecutive quarter. Growth was held back by weakness in exports, but manufacturers continue to be optimistic over prospects for the next 12 months.

Key points include:

- A balance of 27% of heavy side firms and 67% of light side firms reported that sales rose during the third quarter of 2015, compared to a year earlier
- Exports decreased for 18% of heavy side firms and rose for 14% of light side firms
- 64% of heavy side product manufacturers and 79% of light side product manufacturers reported that they anticipate a rise in total sales over the coming year
- 27% of heavy side firms and 36% of light side firms anticipate a rise in exports over the next year
- 40% of heavy side firms and 33% of light side firms reported operating at over 90% capacity over the last 12 months
- 77% of heavy side firms and 33% of light side firms increased investment in plant and equipment in Q3
- 53% of heavy side firms and 33% of light side firms anticipate increasing employment over the next 12 months

Rebecca Larkin, CPA Economist, said: "We have now seen ten quarters of sustained growth reported by construction product manufacturers, led by demand from the private housing, industrial and infrastructure sectors.

“On the downside, compared to a year earlier, 27% of heavy side firms and 67% of light side firms reported a rise in sales in Q3. These balances were lower than those reported in Q2 and the lowest for the heavy side firms since 2013 Q2. This decline largely reflects a decrease in export sales experienced by heavy side manufacturers as Sterling has continued to appreciate against the Euro throughout late 2015; however, the fact that heavy side product sales occur at the beginning of the building process may also foretell a slowdown in domestic construction activity.

“Despite this, product manufacturers retain a positive outlook for the next 12 months. Most survey respondents – 64% of heavy side manufacturers and 79% of those on the light side – anticipate that product sales will increase over the next year, with expectations of renewed growth in international sales combining with rising demand from the domestic market.

“As firms increase production, a growing proportion of manufacturers reported operating at 90% capacity or above in Q3. In response, manufacturers reported increased investment in plant and equipment, as well as their labour force. A further increase in investment and hiring intentions for the next 12 months signals widespread confidence over the longer-term outlook.”

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NOTE TO EDITORS:

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 and has an annual turnover of more than £47 billion. The Association acts as the leading voice to promote and campaign for this vital UK industry.

The State of Trade Survey is one of a range of economic publications produced regularly by the Association, including the Construction Trade Survey and the Construction Industry Forecasts.

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