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Cost Increases Reported by 90% of Construction Product Manufacturers

UK construction product manufacturers are expecting slower growth in sales and activity as cost rises and slowing construction output continue to weaken market conditions, according to the CPA's State of Trade Survey for 2017 Q3.

Results of the survey showed that 10% of heavy side manufacturers reported an increase in sales in Q3, compared to 40% reporting a rise in Q2. On the light side, 36% of product manufacturers reported higher sales, decreasing from a balance of 55% in the previous quarter.

The weaker performance in Q3, along with rising costs for raw materials, fuel and energy, echoes the slower construction activity already seen across industry data and recent surveys. It has also lowered manufacturers' expectations for product sales in Q4. On balance, no firms on the light side anticipate an increase in sales during the October to December period, whilst 21% of heavy side firms expect sales to decline.

The construction products manufacturing industry has an annual turnover of £55 billion, directly providing jobs for 300,000 people across 22,000 companies. Products range from 'heavy side' materials such as steel, bricks, timber and concrete to 'light side' products such as insulation, boilers, glass and lighting. For the year ahead, 28% of heavy side firms anticipate an increase in product sales, whilst on the light side, 33% of firms expect sales to increase.

Rebecca Larkin, CPA Senior Economist said: "For construction product manufacturers, the near-term outlook is being clouded by the perfect storm of a broad-based rise in input costs, slower economic growth and signs of an emerging weakness in construction activity outside of private housing.

"Overall costs increased for 90% of all manufacturers in Q3. Although the survey showed inflationary pressures are anticipated to ease slightly over the coming year, the industry has turned noticeably more pessimistic about the strength of activity in coming quarters. New orders in construction fell to the lowest level in three years in Q2 and the survey suggests this will start to filter through to reduced activity on site by the end of the year."

Key survey findings include:

- A balance of 10% of heavy side firms and 36% of light side firms reported that construction product sales rose in the third quarter of 2017 compared with the second quarter
- On an annual basis, sales rose for 30% of heavy side firms and 45% of firms on the light side, on balance
- On balance, 21% of heavy side manufacturers anticipated a fall in sales in Q4, decreasing from a balance of +7% in the previous quarter
- On the light side, no firms expected an increase in product sales in the next quarter, compared to a balance of 20% in Q1
- Annual cost increases were reported by 90% of manufacturers on the heavy side and the light side

- Raw materials costs rose according to 85% of heavy side manufacturers and 100% of those on the light side
- 78% of heavy side manufacturers and 67% of light side manufacturers anticipate a rise in costs over the next year.

ENDS

NOTE TO EDITORS:

Heavy side products are typically structural materials used early in the construction process and include materials used in transport and other civil engineering projects. Heavy side materials include: aggregates, cement, ready-mix concrete, structural and reinforcing steel. Light side products are typically installed later in the construction process and include internal fittings and services. Light side products include: heating and ventilation systems, plumbing, electrical and lighting, doors and windows, kitchen furniture and thermal insulation.

The [Construction Products Association](#) represents the UK's manufacturers and distributors of construction products and materials. We are committed to raising the profile of our industry and members' businesses, helping grow the market and reducing regulatory risk. The sector directly provides jobs for 300,000 people across 22,000 companies and has an annual turnover of more than £55 billion. The CPA is the leading voice to promote and campaign for this vital UK industry.

The CPA produces a range of economic reports including the quarterly Construction Industry Forecasts, Construction Trade Surveys and the State of Trade Surveys. All are available to members or subscribers via our website.

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