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Construction Industry Facing Worst Fall on Record

The latest Industry Forecasts from the Construction Products Association, which have been released today, highlight that, despite some indicators predicting construction is beginning to turn the corner, the industry entered 2009 with its sharpest falls in output since 1980 and new orders since 1983. Coupled to this the Forecasts for the coming year indicate the industry will suffer a 12% fall in construction output - the worst on record, followed by a further fall of 3.4% in 2010. Significant positive growth is only expected in 2012 and by the end of the forecast period, in 2013, construction output is still expected to be below levels experienced in 2002.

Commenting on the latest Forecasts, Noble Francis, Economics Director at the Construction Products Association said; 'The current economic recession is now having a major impact on our industry and this is the most serious downturn most of us in the industry have ever experienced. We have already lost 60,000 jobs with more expected to follow and an estimated 12,000 construction workers on short time working. The crisis in financial markets during last autumn led to a collapse in credit that is vital to private sector construction. The government's attempt to revive the financial sector, combined with various fiscal stimuli, has left public borrowing at unprecedented levels. Any upturn in construction will be critically dependent upon an increase in credit availability in the private sector and government spending in accordance with its announced plans on the public side.

As we all know private housing has been the worst affected sector so far and the housing market is not expected to improve soon. The Association anticipates that new housing starts will fall to 70,000 this year, the lowest number since 1924. Public housing starts are anticipated to fall 20% during 2009 as they are intrinsically linked to the private market. The commercial sector has slowed considerably since autumn

2008 and output over the next two years is expected to fall 53% in the new build office market and 40% in new retail construction.

Positive growth is expected to be seen in publicly funded areas such as education, health and rail. However, with public borrowing reaching levels that are unsustainable, it is unlikely that public sector construction can grow in the medium term. Yet without delivering its public spending commitments, government will miss its targets for housing, schools and hospitals. More importantly, this could turn the construction recession into a deep depression.'

Other key aspects of these latest forecasts are:

- Industrial properties are expected to fare little better with factory construction falling 28% and warehouse output falling 23% in 2009 alone
- Government is expected to miss targets for public housing
- Education output is set to increase 34% over the next two years
- Rail output is expected to increase almost three fold by end of Forecast period in 2013

ENDS

NOTE TO EDITORS:

The Construction Products Association represents the UK's manufacturers and suppliers of construction products, components and fittings. The Association acts as the voice of the construction products sector, representing the industry-wide view of its members. The sector has an annual turnover of £40 billion and accounts for 40% of total construction output.

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