

Monday, 18 April 2016

CPA Forecasts Slowdown in Construction Growth as Risks Continue to Rise

The Construction Products Association forecasts 3.0% growth in construction output during 2016 and 3.6% in 2017, a downward revision from the 3.6% growth forecast three months ago. This is due to heightened concerns regarding the effects of slowdown in global economic growth prospects, the impacts of uncertainty from the upcoming EU referendum on investor uncertainty and the potential for growth in the industry given key issues around skills shortages.

Highlights from the CPA Spring Forecast, released today, include:

- Construction output is forecast to rise 3.0% in 2016 and 3.6% in 2017
- Private housing starts expected to rise 5.0% in both 2016 and 2017
- New offices activity anticipated to increase 7.0% in 2016 and 6.0% in 2017
- Retail construction expected to fall 1.0% in 2016 and only rise 2.0% in 2017
- Warehouses activity forecast to increase 23.7% by 2019
- Infrastructure work is anticipated to rise 56.3% by 2019

Professor Noble Francis, Economics Director, said: “The latest forecasts for construction are still positive. With growth of 3.0% in 2016 and 3.6% in 2017, activity in the construction industry is expected to outpace growth in the wider UK economy. The risks to this growth, however, continue to rise. UK economic growth forecasts continue to be downgraded in light of poorer global economic growth prospects. In addition, the months leading up to the EU referendum in June will inevitably see a drop off in investment as increased uncertainty leads nervous investors to adopt a ‘wait and see’ policy until the referendum is out of the way, which could have a significant impact on UK economic growth and the construction sector in particular.

Despite these substantial risks, the CPA are anticipating growth in the three largest construction sectors; private housing, commercial and infrastructure.

“Private housing starts are forecast to rise 5.0% in 2016 and 2017, with major house builders keen to take advantage of high demand for home ownership and government policies that attempt to deal with issues around affordability. After a spike in property transactions in Q1 owing to April’s increase in stamp duty for buy-to-lets and second homes, however, don’t be surprised to see a fall in property transactions in Q2. That shouldn’t affect the general housing market medium-term, as the return on investment in property remains considerable.”

Professor Francis continued: “Work in the commercial offices sector is forecast to grow by 7.0% in 2016 and a further 6.0% in 2017 due to major high profile developments currently in the pipeline, not just in London but also Birmingham and Manchester too. Retail construction, on the other hand, is expected to fall 1.0% in 2016 and only rise 2.0% in 2017 as major supermarket chains consolidate, focusing more on small convenience stores where sales margins are higher. In addition, general retail is expected to suffer from the continuing shift away from high street shopping to the internet. Whilst this shift adversely affects retail construction, it does boost industrial warehouses construction, which is expected to increase 10.0% in 2016 and a further 5.0% in 2017.

“Infrastructure work is forecast to rise 56.3% by 2019 due to growth in rail, energy, roads, water and sewerage; however, there are key issues in the medium-term. The most pressing issue is whether the wider construction industry actually has the skills available to deal with double-digit growth in the infrastructure, commercial and private sectors at the same time. By 2019, total construction output is expected to be £20 billion higher than in 2015, yet employment in the industry remains 324,000 lower than it was over seven years ago. If the growth we have forecast is to be achieved then the serious issue of skills shortages needs to be addressed.”

ENDS

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 313,000 people across 21,000 companies, and has an annual turnover of more than £50 billion. The CPA is the leading voice to promote and campaign for this vital UK industry.

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

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