

**Friday, 22 January 2016**

## **Construction Products Sales Slow in Q4 But Optimism for 2016 Remains**

The Construction Product Association's latest State of Trade Survey reports a slowdown in growth in sales of construction products in the fourth quarter of 2015, owing to domestic weakness and a fall in export sales. Sales nonetheless achieved their 11<sup>th</sup> consecutive quarter of growth and were still significantly higher on an annual basis. Manufacturers also remain optimistic about domestic and overseas prospects for 2016.

Key points include:

- A balance of 5% of heavy side firms and 38% of light side firms reported that sales rose during the fourth quarter of 2015, compared to respective balances of 13% and 29% in Q3
- 29% of heavy side firms and 23% of light side firms reported an annual increase in sales
- Exports decreased for 9% of heavy side firms and 20% of light side firms compared to a year earlier
- 43% of heavy side product manufacturers and 42% of light side product manufacturers reported that they anticipate a rise in total sales over the next 12 months
- 10% of heavy side firms and 29% of light side firms anticipate a rise in exports during 2016
- 14% of heavy side firms and 8% of light side firms reported an increase in costs in Q4
- Manufacturers reported a decrease in fuel, energy and exchange rate costs, but wages and salaries were reported higher for 90% of heavy side firms and 77% of light side firms

Rebecca Larkin, CPA Senior Economist, said: "This marked the eleventh straight quarter of rising sales of construction products. For manufacturers on the heavy side, however, this was the lowest quarterly balance in three years, which echoes weakness in overall construction output data for the closing months of last year.

“Compared to Q3, only 5% of heavy side firms reported a rise in sales in Q4. This was the lowest balance since 2013 Q1 and reflects lower domestic activity, as well as a decrease in export sales as Sterling appreciated against the Euro in late 2015. On the light side, where products are typically used towards the end of the construction process, 38% of firms reported a rise in Q4 quarterly sales, indicating continued demand from strong building activity earlier in 2015.

“A positive effect of the Q4 appreciation in the Sterling was its downward impact on manufacturers’ import costs. The decline in global oil prices also filtered through into lower fuel and energy costs, meaning that a balance of only 14% of heavy side manufacturers and 8% of light side firms reported an increase in costs in Q4. Wages and salaries remained the standout inflationary pressure, however, as shortages of skilled labour pushed up wage bills.

“Encouragingly, both heavy side and light side product manufacturers displayed optimism over the outlook for the year ahead. A balance of 43% of heavy side firms and 42% of those on the light side anticipated that product sales will increase during 2016, driven by renewed growth in international sales and domestic activity, led by the private housing, offices and infrastructure sectors in particular. We forecast output growth of 5.0%, 7.0% and 7.9%, respectively in these sectors in 2016.”

**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 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.

#### **FOR FURTHER INFORMATION CONTACT:**

Rebecca Larkin    Senior Economist  
Construction Products Association  
Tel :                020 7323 3770  
E-mail :            [rebecca.larkin@constructionproducts.org.uk](mailto:rebecca.larkin@constructionproducts.org.uk)

Jeff May            Marketing and Communications Manager  
Construction Products Association  
Tel :                07904 476 166  
E-mail :            [jeff.may@constructionproducts.org.uk](mailto:jeff.may@constructionproducts.org.uk)

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