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## Association Forecasts Renewed Optimism for Construction

The Construction Products Association's latest Forecast anticipates that growth in private house building, infrastructure work and commercial activity are set to drive recovery in the industry over the next four years. Key highlights include:

- Construction output is expected to rise by 3.4% in 2014 and by a further 5.2% in 2015;
- Growth is projected to continue throughout the forecast period, to 2017; however,
- Considerable uncertainties remain regarding the long-term sustainability of the recovery in the industry and wider economy in the latter years of this forecast, post-2015.

Dr Noble Francis, Economics Director of the Association, commented: "The construction industry is in a very different place to just one year earlier, when output fell to a level 15.4% below its pre-recession peak. Since 2013 Q1, activity has picked up considerably. Initially this was due to a rapid expansion in house building but more recently growth in new infrastructure and a recovery in London commercial activity have supplemented further rises in private housing.

"Private housing has seen a rapid recovery, albeit from levels of house building that are half the number needed to meet the number of households created. This private housing growth has been driven by wider economic recovery and government's Help to Buy policy. While initial concerns were that this policy would fuel house price inflation, but clearly both house prices and house building have risen significantly. Housing starts in Great Britain during 2013 are estimated to have increased 24.0% and further growth rates of 16.0% in 2014 and 10.0% in 2015 are forecast.

"After 2015, without Help to Buy to support housing market demand, there are strong concerns about whether house building will continue to improve despite the clear need for

new housing. As a consequence, the Association's forecasts anticipate the growth in private housing starts slowing in 2016.

"In the second half of 2013," Dr Francis continued, "the infrastructure sector was a key driver of construction growth, with output in the sector forecast to increase 39.7% by 2017. This growth is primarily expected from a recovery in the roads sub-sector, where output fell by over 50.0% in the space of two years, combined with further growth in rail construction.

"In the medium-term, from 2015, infrastructure is also expected to be supported by double-digit growth in the energy sub-sector due to main works on the first of the new nuclear reactors at Hinkley Point C. However, the project has already been subject to considerable delays so further delays cannot be discounted, which would hinder infrastructure growth in the longer term.

"Output in the largest construction sector, private commercial, fell 33.1% between 2008 and 2012. In 2013, however, major office projects in London have proved sizeable enough to start a recovery in the sector. The sector is expected to grow 2.7% in 2014 following growth of 2.4% in 2013. From 2015, wider economic recovery and a rise in demand for prime office and retail space outside of London and the South East should also boost the sector."

He concluded: "The largest constraint to industry recovery continues to be public sector construction. Public non-housing output fell 27.2% between 2010 and 2012 and the sector is not anticipated to recover until the impacts of capital investment growth feed through in 2015."

Other key points in the Forecasts include:

- Private housing repair, maintenance and improvement is expected to grow 3.5% in 2014 and then 4.0% per year until 2017;
- Public housing starts to rise 2.0% in 2014 and 2015 before marginal growth thereafter with government focusing on affordable, not social, housing provision;
- Retail sub-sector output growth of 2.0% is forecast in 2014, with 5.0% rises expected in 2016 and 2017;
- Factories growth of 6.0% is forecast for 2014; thereafter, 5.0% per year growth is projected until 2017;
- Warehouses sub-sector output is forecast to rise 10.0% in 2014 and 8.0% in 2015.

**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 a single voice for the construction products sector, representing the industry-wide view of its members. The sector has an annual turnover of more than £40 billion and accounts for over 1/3 of total construction output.

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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