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Embargoed to 00.01am Monday 11 February 2013

Recovery in Q4 Masks Longer-term Trend

The latest Construction Trade Survey published today, shows that the majority of the construction industry endured a difficult final quarter of 2012, due to declining output and orders on the demand side, combined with rising costs on the supply side.

Large firms, especially those working in the infrastructure sector, have reported improving conditions, but the bulk of the industry still faces a very difficult year ahead especially those further down the supply chain, who are experiencing a contraction in workload exacerbated by difficulties in late payment.

Commenting on the survey, Noble Francis, Economics Director at the Construction Products Association said: 'It was good to see a rise in construction output for Q4 compared to Q3, when activity was adversely affected due to the Olympics and Paralympics. However, output remains 9.3% lower than a year ago and this is reflected in the Construction Trade Survey. A minority of firms working on energy and rail projects continue to thrive as do construction product manufacturers who are able to export outside the EU. Yet, overall, the industry continues to suffer falls in work across both public and private sectors. Furthermore, outside of infrastructure, the industry is expecting that 2013 will be even more difficult, with declining orders and enquiries across the industry.'

Speaking about the survey Stephen Ratcliffe, Director UKCG, said: 'Business conditions remain challenging and because construction is a lagging indicator there is unlikely to be any major improvement this year. Nevertheless, there remain good opportunities in infrastructure, in the schools programme and energy sector.'

'Government support in providing guarantees to kick start stalled projects is welcome, as has been the announcement of PF2. UKCG continues to work with government to see what more could be done to speed up deal flow and increase work available to the industry.'

Julia Evans, Chief Executive of the National Federation of Builders added: ‘The construction industry is braced for a year in which weak demand and higher costs will create a very challenging trading environment. As the government and industry collaborate to lay out a long-term strategy for the industry, we must not lose sight of the need to maintain the current capital investment plans that will generate economic growth in the more immediate future.’

Key survey findings include:

- Private industrial and non-housing R&M were the worst hit sectors for building contractors, with 34% and 30% respectively, reporting falls in output
- 23% of building contractors reported that, on balance, output fell in the private commercial sector, whilst in private new housing output flatlined
- 13% of heavy side product manufacturers reported that, on balance, sales fell in Q4, whilst 46% of light side manufacturers stated that sales increased
- 62% of contractors reported that, on balance, orders fell in the fourth quarter
- Civil engineering workloads were flat during Q4, an improvement from a negative balance of -17% in Q3
- 43% of large and medium sized building contractors, on balance, suggested that tender prices reduced in 2012 Q4
- 30% of building contractors, on balance, reported rises in costs, marginally lower than the 32% in Q3
- 46% of contractors, on balance, reported falls in profit margins, down from 49% in Q3

ENDS

NOTE TO EDITORS:

CONSTRUCTION PRODUCTS ASSOCIATION:

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 £50 billion and accounts for 40% of total construction output.

The Construction Products Association undertakes a comprehensive quarterly survey of its members operating across this sector.

NATIONAL FEDERATION OF BUILDERS:

The National Federation of Builders (NFB) represents over 1,500 builders and contractors across England and Wales. In addition to providing specialist advice and business services, the Federation, with a network of eight regional offices, lobbies local, national and European government on a range of issues to sustain positive trading conditions for members. With origins dating back to 1876, today's

NFB is a modern organisation providing the medium sized contractor and smaller builder with an unparalleled package of services.

NATIONAL SPECIALIST CONTRACTORS COUNCIL:

The National Specialist Contractors Council (NSCC) brings together the common aims of specialist trade organisations within the construction industry and is the authoritative voice of Specialist Contractors in the UK. NSCC has 32 member organisations that collectively represent over 7,000 Specialist Contractors engaged in the planning, design, construction, refurbishment and maintenance of the built environment in both the commercial and domestic sectors. By using the collective strength of the specialist sector, NSCC has the influence to make a real difference to how the UK construction industry operates.

CIVIL ENGINEERING CONTRACTORS ASSOCIATION:

The Civil Engineering Contractors Association has over 300 member firms that carry more than 80% of all civil engineering work in Great Britain. The CECA survey of civil engineering workload trends, in which more than a third of the membership takes part, tests for changes over the past year in contractors' workload, workforce, order books, cost trends, and tender prices. It also examines the supply situation for key resources, and contractors' expectations of trends in new orders and employment in the coming 12 months.

UK CONTRACTORS GROUP:

The UK Contractors Group represents more than 30 leading contractors operating in the UK. Its mission is to represent contractors' interests to government and key clients and to encourage contractors to work together to promote change and best practice, especially on health and safety and environmental issues. UKCG also works closely with the CBI Construction Council to ensure that contractor's interests are properly reflected in the wider business agenda.

FEDERATION OF MASTER BUILDERS

The FMB is the largest employers' body for small and medium sized firms in the construction industry, and with 11,000 members, it is the recognised voice of small and medium sized builders. FMB is committed to promoting excellent standards in craftsmanship and assisting builders to improve levels of building performance and customer service. Within its membership, the FMB has around 4180 firms which engage in house building, either as their primary function or as part for the suite of building services they provide, but most are primarily active in the domestic RM&I market.

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