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## Early 2012 Optimism Quashed in Q2 as Demand Waivers for Product Manufacturers

The Construction Products Association's latest State of Trade Survey indicates that, following a relatively good first quarter of the year, product manufacturers suffered from a slowdown in sales in Q2 and are extremely concerned about demand going forward.

Commenting on the figures, Construction Products Association senior economist, Kelly Forrest said: 'With public sector cutting spending and private sector construction adversely affected by events in the euro zone, it is unfortunately unsurprising to see product sales affected in Q2. Heavy side manufacturers reported that sales fell compared with Q1 and compared with a year ago. Sales of light side products, which tend to be used later in the construction process, continued to rise in Q2, yet the fall in heavy side sales suggests the second half of the year will become increasingly challenging. Nearly all of the firms responding to the survey expressed concern about the strength of demand over the next 12 months. It is their primary concern.

'Despite recent falls in oil and commodity prices, cost inflation continues to be a serious issue for product manufacturers. 84% of heavy side firms and 62% of light side firms reported that costs continued to rise as long term contracts have ensured that recent price falls have not fed through yet.'

'Manufacturers continue to be boosted by exports, 11% of heavy side manufacturers and 25% of light side manufacturers stated that exports rose over the past year. Furthermore, a larger number of both heavy and light side firms are turning to exports to offset subdued domestic demand. 40% of heavy side firms exported products in Q2 and 70% of light firms reported that they were now exporting.'

Other key points include:

- 45% of heavy side firms reported that sales fell between Q1 and Q2. However, 20% of light side firms, on balance, reported that sales rose between the first and second quarters of 2012.
- 6% of heavy side manufacturers, on balance, reduced headcount in the year to Q2. 8% of light side firms, on balance, increased employment over the same period. However, employment remained static for the vast majority of firms.
- 45% of heavy side manufacturers and 73% of light side manufacturers invested in product improvement.

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

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