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No Construction Growth before 2014 as Spending Cuts Bite

Construction output is forecast to fall by almost 3% this year, according to the latest forecasts published today by the Construction Products Association, as the cuts to the capital budget announced in the CSR start to have a real impact on industry activity. Construction output is forecast to remain flat in 2013 before private sector work strengthens and drives a return to growth in 2014.

Commenting on these forecasts, Michael Ankers, the Chief Executive of the Construction Products Association, said: 'It seems inevitable that construction output fell in the first three months of this year and this will have had a significant impact on the rate of GDP growth at this time. With new orders for construction falling significantly at the end of last year, 2012 is going to be a difficult year for the construction industry with output forecast to fall by almost 3%. The construction industry accounts for nearly 9% of GDP and therefore is going to be a major constraint on growth in the wider economy over the year ahead.

'Public sector spending cuts are now beginning to bite and with the exception of a steady recovery in the private housing market, where starts are forecast to increase by 5% this year and 11% next, the private sector is pretty subdued. What is particularly disappointing is the weakness of the private commercial market where output is expected to decline both this year and in 2013. Office development is slowing down and private finance for social infrastructure is unlikely to make a rapid comeback.

'One bright spot in the forecasts is investment in infrastructure, particularly rail and energy where growth is expected to increase in each year from now until 2016.

'The construction industry faces a difficult 18 months with a significant recovery not now expected until the second half of 2013.'

Other key findings in the Forecasts include:

- Public sector construction work to fall by 18% between 2011 and 2014
- Education work to contract by nearly a third by 2014 from the 2010 peak
- Work in the health sector to fall for six consecutive years before recovering modestly in 2015
- Private sector construction to rise 21% by 2016
- Total housing starts in 2012 fewer than half needed to meet number of households created
- Rail construction to rise by 56% in the next four years
- Energy construction to rise almost threefold by 2016

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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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