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## **Eurozone Slowdown and Cost Inflation Pose Major Threat to Construction Product Industry**

The Construction Products Association's latest State of Trade Survey, which has been launched today, shows that although a Eurozone crisis appears to have been averted for the time being, the prospect of an economic slowdown in the major European economies, together with increasing global energy and raw material prices, remain as the major threats to further recovery in the UK construction products industry.

Commenting on the figures, Construction Products Association senior economist, Kelly Forrest said: 'It is encouraging that sales rose in the first quarter, but manufacturers also highlighted the key factors that threaten growth throughout 2012 and into 2013, these factors include the continuing uncertainty within the euro zone, and significant concern regarding rising costs, especially fuel costs.'

'With more than 75% of construction products exports being absorbed into the European market, recent forecasts from the OECD indicating a slowdown in key Eurozone countries, such as Germany and France, potentially threaten prospects of further growth for product manufacturers.'

'Construction product manufacturers have also been hit hard by rises in fuel prices. More than 90%, on balance, experienced fuel price inflation in Q1. Oil prices recently reached \$125 per barrel, their highest level in almost four years and the full effects of this will be felt throughout 2012.'

Other key points include:

- At +7%, the heavy side sales balance entered positive territory for the first time in three quarters.
- 36% of heavy side firms anticipate that sales will increase over the next year.
- Light side firms are equally optimistic, with 34% anticipating sales growth in the next 12 months.
- 74% of heavy side firms and 50% of light side firms expect unit costs to rise in the next 12 months.
- Only 10% of heavy side firms and 20% of light side firms operated at over 90% capacity in Q1.
- 80% of heavy side firms and 62% of light side firms cited demand as the factor most likely to constrain activity going forward.

**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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