

Monday, 13 February 2017

UK construction growth driven by infrastructure investment

Construction output is expected to grow by 0.8% in 2017, 0.7% in 2018 and 2.2% in 2019 according to the latest forecasts by the Construction Products Association (CPA). Whilst the forecast shows that the industry will maintain its post-Referendum momentum, it also masks a considerable variation in fortunes across the key construction sectors.

In particular, growth to 2019 is expected to be primarily driven by a 28.0% increase in infrastructure activity and a 6.1% increase in private house building, which would offset expected falls in commercial and industrial construction.

Noble Francis, Economics Director at the Construction Products Association said: “Near-term prospects for construction appear bright with industry growth boosted by several new billion pound infrastructure projects across the country such as the Thames Tideway Tunnel, HS2 and Hinkley Point C and the government’s £23 billion National Productivity Investment Fund. A rise in infrastructure output is expected to ensure positive growth for the construction industry overall if the government can ensure it delivers on its announcements.”

House building is also expected to remain a key source of output growth, with private house building starts rising at 2.0% per year between 2017 and 2019. Noble Francis commented: “Construction industry prospects should also be boosted by a positive outlook from major house builders, who appear willing to increase supply as they take advantage of rising house prices in an undersupplied market. The exception to this is the high-profile niche of prime residential in Central London, where there is already an oversupply of properties and sharply falling prices, which we expect to persist over the next 12-18 months.

“Substantial risks to growth remain however as the fall in the value of Sterling is leading to increased import and raw materials costs. On the demand side, whilst the uncertainty post-Referendum has not impacted activity on site as yet, it appears to be affecting areas that require high upfront investment for a long-term rate of return such as commercial offices and industrial factories. Both have seen new contract awards fall and this is likely to feed through into falls in sector activity from the second half of this 2017.

“Despite these concerns, infrastructure and private housing are anticipated to ensure that the construction industry grows between 2017 and 2019, providing an extra £5.3 billion of economic activity for the construction industry and wider UK economy.”

Key results from the latest CPA construction forecasts include:

- Construction output to rise by 0.8% in 2017, 0.7% in 2018 and 2.2% in 2019
- Infrastructure work to rise by 7.0% in 2017 and 10.7% in 2018
- Private housing starts to rise 2.0% per year in 2017 and 2018
- Offices construction to decline 3.0% in 2017 and 10.0% in 2018
- Retail construction to fall 8.0% in 2016 before falls of 4.0% in 2017 and 2.0% in 2018

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NOTE TO EDITORS:

The [Construction Products Association](#) represents the UK's manufacturers and distributors of construction products and materials. We are committed to raising the profile of our industry and members' businesses, helping grow the market and reducing regulatory risk. The sector directly provides jobs for 288,000 people across 22,000 companies and has an annual turnover of more than £55 billion. The CPA is the leading voice to promote and campaign for this vital UK industry.

The CPA produces a range of economic reports including the quarterly Construction Industry Forecasts, Construction Trade Surveys and the State of Trade Surveys. All are available to members or subscribers via our website.

Much of the CPA's work is focused on serving as the first point of contact for politicians and policy makers requiring advice and information about matters that affect construction products or the wider construction industry. This includes understanding the need for investment into manufacturing or the built environment, new housing and energy-saving retrofitting of the existing housing stock; helping to develop effective, UK and EU legislation, regulations and product standards; and promoting the role of manufacturers in delivering a resource efficient built environment.

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