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Construction Product Manufacturing Growth Undeterred by Intensifying Cost Inflation

The CPA's latest State of Trade Survey reports that UK construction product manufacturers registered an increase in sales and activity in the first quarter of 2017. This extends the industry's period of growth to four years, despite a backdrop of increasing input cost pressures.

The construction products manufacturing industry has an annual turnover of £55 billion, directly providing jobs for 300,000 people across 22,000 companies. Products range from 'heavy side' materials such as steel, bricks, timber and concrete to 'light side' products such as insulation, boilers, glass and lighting. On an annual basis, 65% of heavy side firms reported that sales had increased in Q1, whilst on the light side, 38% of firms reported that sales were higher than a year earlier.

In Q1, 73% of heavy side manufacturers and 80% of those on the light side reported an increase in costs, with input costs for raw materials, fuel and energy exerting the strongest pressures, owing to the depreciation in Sterling during 2016. Nevertheless, manufacturers envisage a continued rise in activity in the second quarter of this year. Among heavy side manufacturers, 68% on balance anticipate a rise in sales in Q2 and a balance of 47% of light side manufacturers anticipate a rise during the same period.

Rebecca Larkin, CPA Senior Economist said: "Construction product manufacturers have shaken off the pessimism over future performance evident at the end of last year and appear more confident that further rises in costs will not have a negative impact on demand and construction activity over the next 12 months.

"Heavy side manufacturers were most exposed to the effects of Sterling's depreciation with 93% of firms reporting a rise in raw materials costs and 69% reporting higher costs for fuel and energy in Q1. On balance, they were also the most optimistic on near-term sales expectations, implying that the wider construction supply chain is actively managing its cost pressures.

"With Brexit-related uncertainty still providing a downside risk to decision-making, however, it is important that government provides certainty over the pipeline for large public sector and infrastructure projects that will help sustain activity."

Key survey findings include:

- A balance of 45% of heavy side firms and 38% of light side firms reported that construction product sales rose in the first quarter of 2017 compared with the fourth quarter of 2016
- On an annual basis, sales rose for 65% of heavy side firms and 38% of firms on the light side, on balance
- On balance, 68% of heavy side manufacturers anticipated a rise in sales in Q2, improving from a balance of 6% in 2016 Q4
- On the light side, 47% of firms expected an increase in product sales in the next quarter, compared to a balance of 29% in 2016 Q4

- Annual cost increases were reported by 73% of heavy side manufacturers and 80% of those on the light side
- Raw materials costs rose according to 93% of both heavy side and light side manufacturers
- 85% of heavy side manufacturers and all light side manufacturers anticipate a rise in costs over the next year

ENDS

NOTE TO EDITORS:

Heavy side products are typically structural materials used early in the construction process and include materials used in transport and other civil engineering projects. Heavy side materials include: aggregates, cement, ready-mix concrete, structural and reinforcing steel. Light side products are typically installed later in the construction process and include internal fittings and services. Light side products include: heating and ventilation systems, plumbing, electrical and lighting, doors and windows, kitchen furniture and thermal insulation.

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 300,000 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.

FOR FURTHER INFORMATION CONTACT:

Rebecca Larkin, CPA Senior Economist

Tel: 020 7323 3770

E-mail: rebecca.larkin@constructionproducts.org.uk

Emma Salmon, CPA Marketing and Communications Executive

Tel: 020 7323 3770

E-mail: emma.salmon@constructionproducts.org.uk

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