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## Construction Product Manufacturers Pessimistic of Growth

The CPA's State of Trade Survey for 2017 Q2 reveals that UK construction product manufacturers experienced growth in sales and activity for the 17th consecutive quarter, but higher input costs and rising uncertainty has dampened manufacturers' views for the near-term future.

Results of the survey showed that among heavy side manufacturers, only 7% anticipated a rise in sales in the next quarter, a decline from the 68% who anticipated a rise when asked in 2017 Q1. A sharp rise in input costs was also reported in Q2, with 93% of heavy side manufacturers and all of those on the light side reporting an increase in costs compared with a year earlier.

The strongest inflationary pressures came from raw materials, fuel and energy, owing to depreciation in Sterling during 2016, alongside skills shortages pushing up wage bills.

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, 47% of heavy side firms reported that sales had increased in Q2, whilst on the light side, 45% of firms reported that sales were higher than a year earlier.

Rebecca Larkin, CPA Senior Economist said: "It was an eventful quarter on the political front, with the announcement of a snap general election and the resulting hung parliament adding to existing uncertainty over the path for Brexit negotiations. Despite healthy growth in the second quarter, construction product manufacturers have turned more pessimistic over performance for the rest of the year, reigniting concern that the triple hit of imported inflation in raw materials, higher fuel and energy prices and the persistent pressure on labour costs will have a negative impact on demand and construction activity over the next 12 months."

"An increase in overall costs was reported by 93% of heavy side manufacturers and all of those on the light side. Inflation is expected to endure as similar proportions anticipate that costs will continue to climb over the next year. Government's ability to progress the pipeline for large public sector and infrastructure projects is now more important than ever as a means of sustaining activity when private sector decision-making may be stalling."

Key survey findings include:

- A balance of 40% of heavy side firms and 55% of light side firms reported that construction product sales rose in the second quarter of 2017 compared with the first quarter
- On an annual basis, sales rose for 47% of heavy side firms and 45% of firms on the light side, on balance
- On balance, 7% of heavy side manufacturers anticipated a rise in sales in Q3, decreasing from a balance of 68% in the previous quarter
- On the light side, 20% of firms expected an increase in product sales in the next quarter, compared to a balance of 47% in Q1

- Annual cost increases were reported by 93% of heavy side manufacturers and 100% of those on the light side
- Raw materials costs rose according to 87% of heavy side manufacturers and 100% of those on the light side
- 93% of heavy side manufacturers and 90% of light side manufacturers anticipate a rise in costs over the next year.

**ENDS**

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## **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:**

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