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## Construction Products Sales Expected to Slow This Year

The UK's £56.5 billion construction product manufacturing industry is expected to slow this year as the sector lost its pace at the end of 2017, according to the CPA's State of Trade Survey for 2017 Q4.

The survey results showed activity is expected to weaken this year as inflation continues to rise, economic growth slows, and the UK's post-Brexit deal still remains unclear. It is likely the first half of 2017 was a peak for the industry, with the survey reporting early signs of slowing activity in the final three months of 2017, and construction product manufacturers envisaging a broader softening in market conditions during 2018.

The survey results showed that 6% of heavy side manufacturers, such as steel, bricks, timber and concrete, reported a decrease in product sales in Q4, compared to 10% reporting a rise in Q3. This was the first negative balance since 2013 Q1. In contrast, sales on the light side, which includes non-structural and finishing products such as insulation, boilers, glass and lighting, were still reported higher by half of manufacturing firms.

Whilst a modest pickup in sales is anticipated in the first quarter of 2018, the survey showed a weakness in sales expectations extending across the next 12 months, for both heavy side and light side firms. No heavy side firms and only 10% of those on the light side expected an increase in product sales during 2018.

Rebecca Larkin, CPA Senior Economist said: "The survey echoes other industry data that has shown the prolonged period of growth in construction activity since 2013 started to lose pace in the closing months of 2017. Of note are the signals of a leaner 2018 with heavy side expectations for sales growth at their lowest in five years, reflecting a backdrop of a slower economy, Brexit uncertainty and falling new orders in key sectors such as commercial offices.

"As well as weaker market conditions, it appears as though a further rise in costs will strengthen the headwinds facing industry. In Q4, 87% of heavy side firms and 91% of light side firms reported a rise in raw materials costs, whilst on the energy-intensive heavy side, fuel and energy costs were reported higher for 93% of firms. This illustrates the lagged pass-through of the 2016 Sterling depreciation and rising global commodity prices into input cost inflation that is still to filter down the construction supply chain. Three-quarters of product manufacturers expect inflationary pressures to linger into 2018.

Key survey findings include:

- A balance of 6% of heavy side firms reported that construction product sales fell in the fourth quarter of 2017 compared with the third quarter. 50% of light side firms reported a rise in sales in Q4
- On an annual basis, sales rose for 13% of heavy side firms and half of firms on the light side, on balance
- On balance, no heavy side manufacturers anticipated a rise in sales in the next year, decreasing from a balance of +28% in the previous quarter
- On the light side, 10% of firms expected an increase in product sales in the next year, compared to a balance of 33% in Q3

- Annual cost increases were reported by 87% of manufacturers on the heavy side and 80% on the light side
- Raw materials costs rose according to 87% of heavy side manufacturers and 91% of those on the light side
- 73% of heavy side manufacturers and 80% 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:**

Rebecca Larkin, CPA Senior Economist

Tel: 020 7323 3770

E-mail: [rebecca.larkin@constructionproducts.org.uk](mailto:rebecca.larkin@constructionproducts.org.uk)

Emma Salmon, CPA Senior Communications Executive

Tel: 020 7323 3770

E-mail: [emma.salmon@constructionproducts.org.uk](mailto:emma.salmon@constructionproducts.org.uk)

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