

**Sunday 14 October 2018**

## Brexit Uncertainty and Infrastructure Delays Lead to Downgrade in Construction Forecasts

Growth for the UK's construction sector next year has been downgraded amid signs Brexit uncertainty and on-going delays in the delivery of major infrastructure projects continue to weigh on activity. The Construction Products Association's Autumn Forecasts anticipate growth will remain flat in 2018, and rise by only 0.6% in 2019, a downward revision from its previous estimate of 2.3%.

Despite a weakened market, private housing continues to be a key sector of growth for the construction industry, with first-time buyer demand enabled by the government's Help to Buy scheme, encouraging activity. Over the last 12 months, the equity loan accounted for almost one third of all housebuilding sales, particularly sustaining demand for housebuilding in the North and Midlands which has offset falls in London and the South East. The sector's output is forecast to rise 5% in 2018 and 2% in 2019; however this assumes government will extend funding for the scheme beyond 2021. Without an extension, housing starts are expected to start declining from 2019.

The infrastructure sector also remains a primary driver of growth for the whole construction industry, with output forecast to hit a historic high of £23 billion by 2020, driven by large projects such as HS2 and Hinkley Point C. However, there remain concerns about government's ability to deliver major infrastructure projects without the cost overruns and delays seen recently on Crossrail. Caution surrounds the forecast, and growth in the sector has been revised down to 8.7% in 2019, from its previous forecast of 13%.

Brexit uncertainty continues to drive expectations for the sharpest construction decline in the commercial sector, particularly felt in the offices sub-sector. Investors have signalled the uncertainty is too high to justify significant up-front investment in new floor space for a long-term rate of return, and output is expected to fall 10% in 2018 and a further 20% in 2019.

Noble Francis, Economics Director at the Construction Products Association said: "Construction continues apace in some sectors such as house building, particularly in key hotspots of activity such as Manchester and Salford. Overall, we are still expecting construction output to increase next year but this growth is highly dependent on house building outside London and also major infrastructure projects offsetting falls in activity in other sectors.

"The forecasts assume that the UK and EU will agree a deal on Brexit towards the end of the year but the continued uncertainty over a 'No Deal' Brexit has already had a big impact on construction new orders in construction sectors dependent on high upfront, often international, investment for a long-term rate of return. These include the construction of prime residential in London, industrial factories and commercial offices towers. Even if the UK government eventually agrees a deal with the EU on Brexit, construction output in all these

sectors is expected to fall sharply during 2019 due to falls in new orders, which have already occurred in the past 18 months, feeding through to activity on the ground.

“Major infrastructure projects are expected to drive industry growth in 2019 and 2020 but the £600 million cost overruns and nine-month delays to Crossrail add to existing concerns about government’s ability to deliver major projects and lead to additional concerns about the delivery of already delayed projects such as Hinkley Point C and HS2. As a result, we have had to significantly revise down our construction forecasts for the infrastructure sector and overall.

“Looking on the positive side, if the government is able to reduce the uncertainty sooner rather than later and improve delivery of major projects, to time and budget, then the risks to the forecasts are on the positive.”

**ENDS**

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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 333,000 people across 23,000 companies and has an annual turnover of more than £56.5 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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