



CONSTRUCTION OUTLOOK: JANUARY 2018

Our latest GB construction forecasts outline a weaker industry performance over the years 2018 and 2019. The volume of output is forecast to decline in both years, but growth is forecast for 2020.

Unsettled business confidence, alongside frailty in consumer finances, is currently affecting the commercial and residential property markets, which combined with public sector austerity suggests a dull outlook for GB construction.

Private housing has grown by 80% since 2012, and is now the largest construction market, having overtaken commercial building in 2016. Continued growth in the housing sector seems unlikely against a background of marked unaffordability, weak wage growth, and an unhealthy reliance upon government assistance.

In the commercial sector, output volumes rose further in 2017. In contrast, the volume of commercial building orders declined by 15% during the twelve months to September 2017. In the office sector the volume of orders fell by 25% over the same period. London office building, which has underpinned recent commercial growth, is now hampered by uncertainty and rising supply. In the retail sector construction is expected to level off, albeit at a very weak level. However, in the leisure market workloads are strong.

Underpinned by a robust roads investment programme and large projects (such as Hinkley and HS2), infrastructure has a good outlook. Public non-housing continues to suffer depressed capital budgets, and output volumes in this sector are forecast to edge lower to 2020.

