

CONSTRUCTION OUTLOOK: JANUARY 2019

The latest ONS data show GB construction output growth weakening from 7% in 2017, to 1.4% by 2018 Q3. We estimate growth of 1.5% for 2018, while for 2019 we expect output to decline by around 1.5%. Output is forecast to fall again in 2020.

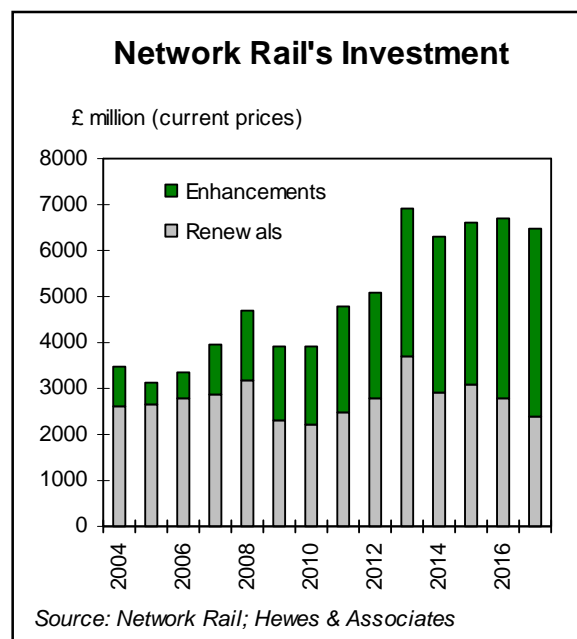
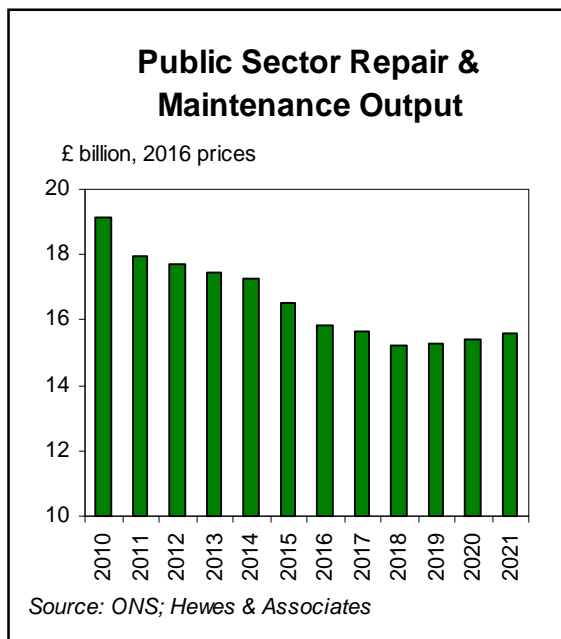
The growth slowdown seen in 2018 relates to repair & maintenance and new work. Repair & maintenance output growth slowed from 6.5% in 2017 to 2% by 2018 Q3, while new work output growth slowed from 7.5% to 1% over the same period.

New work order volumes rose by 4% in 2017, and then declined by 14% over the year to 2018 Q3. These readings are, however, distorted by infrastructure orders. If one excludes that sector, order volumes have been in decline since mid-2017. In 2017 they dropped by 4.5%, and by 5% over the year to 2018 Q3. This is largely a reflection of the decline in public non-housing and commercial orders – the latter are now 25% below their peak.

It is alongside the above that we expect new work output volumes to decline by close to 2% in 2019, and by around 3% in 2020. This is a reflection of weakness in the commercial and private housing markets, although the latter is not expected to fade until 2020.

Infrastructure construction will continue to benefit from large projects such as HS2 and Hinkley, as well as robust levels of road investment. Network Rail has a large renewals programme planned, although uncertainty over its enhancement programme (which has recently accounted for the majority of investment) implies weaker volumes of investment post 2019.

Since 2013/2014 a key feature of construction has been extensive growth in private housing more than offsetting public sector capital budget restrictions. That looks set to change.



HEWES & ASSOCIATES