

CONSTRUCTION OUTLOOK: APRIL 2019

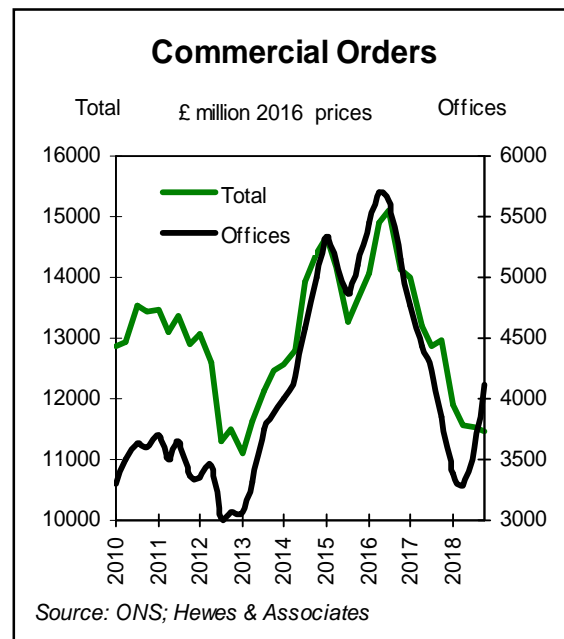
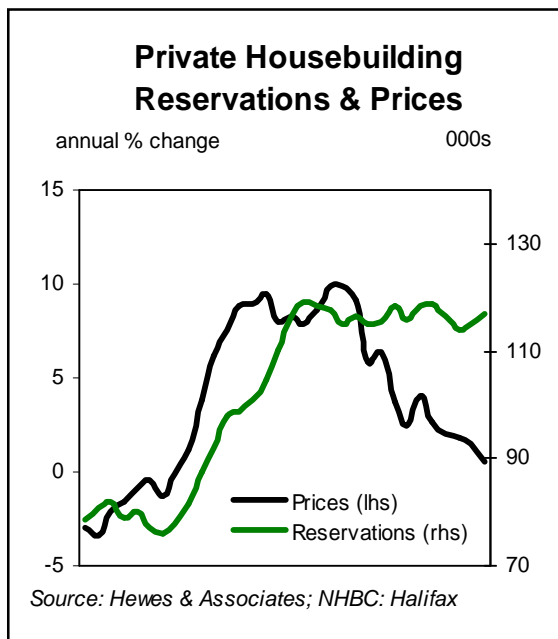
The latest data reveal GB construction output growth weakening from 7% in 2017 to 0.7% in 2018 – the weakest pace of growth since 2012. Underlying this were sharp declines in public non-housing and commercial building, alongside less robust growth in private residential.

Over the next few years we expect the volume of construction output to edge lower, by around 1% in 2019 and 2% in 2020. For 2021 we expect modest growth to emerge.

New work order volumes rose by 4% in 2017, and then declined by 16% over 2018. These readings are distorted somewhat by infrastructure orders, which rose strongly in 2017, and fell sharply in 2018. If one excludes that sector, orders have been in decline since early 2017. In 2017 orders (excluding infrastructure) fell by 4.5%, and by 3.5% in 2018. The latter decline relates to a 12% drop in commercial orders. Private housing orders rose by 1.5% in 2018.

Infrastructure construction is forecast to benefit from large projects, while output is currently buoyed by cost overruns on Crossrail, and also Thames Tideway. Looking to 2021, robust levels of road investment will help, while in the rail sector main civil engineering work on HS2 should start soon. Network Rail's CP6 renewals programme is roughly 20% larger than that of CP5, although uncertainty over its enhancement programme (which over CP5 accounted for the majority of investment) implies weaker volumes of total investment.

Private industrial building continues to benefit from a strong warehouse market, and that will remain the case to 2020, while in the factory sector decline is underway, in part due to retrenchment in the auto manufacturing sector, where sales, exports, production and investment fell in 2018.



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