CONSTRUCTION OUTLOOK: JULY 2019

The latest GB construction data reveal change, with five years of growth giving way to near stability in 2018. The 0.3% of growth recorded for 2018 – a figure revised from the first estimate of 0.7% growth – was the result of decline in public non-housing and commercial building, alongside weaker growth in private housing.

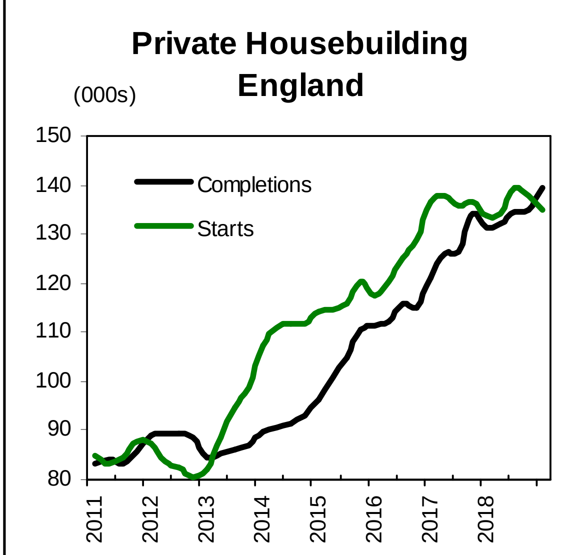
Over the next two years we expect the volume of construction output to edge lower, by 1.5% in 2019 and 2.2% in 2020. For 2021 we expect near stability in output volumes.

The key area of interest, and risk, is private housing. Output volumes in this market have doubled since 2012. That compares with near 15% growth in non-residential new work. With house prices having risen by 45% since the start of 2013 (when Help to Buy was introduced), and wages by only 15%, housing has become even less affordable for most first-time buyers. Our view is that the period of growth prompted by Help to Buy has reached an end, and that modest decline is upon us.

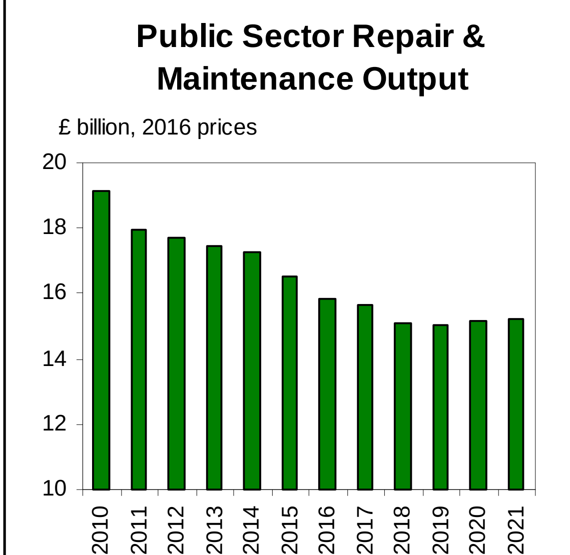
Infrastructure construction is forecast to benefit from large projects. Output is currently buoyed by cost over-runs on Crossrail. Looking to 2021, robust levels of road investment will help, while in the rail sector we assume that despite rising cost estimates, main civil engineering work on HS2 will start soon.

Private industrial building continues to benefit from a strong warehouse market, and that will remain the case to 2020, while in the factory sector a steep drop in car investment is underway.

Public non-housing remains afflicted by austerity-induced capital spending programmes. They are expected to remain in place to 2020/2021. In the commercial sector, decline is forecast, although office building is performing better than expected a few months ago.



Source: MHCLG; Hewes & Associates



Source: ONS; Hewes & Associates

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