

## CONSTRUCTION OUTLOOK: WINTER 2020

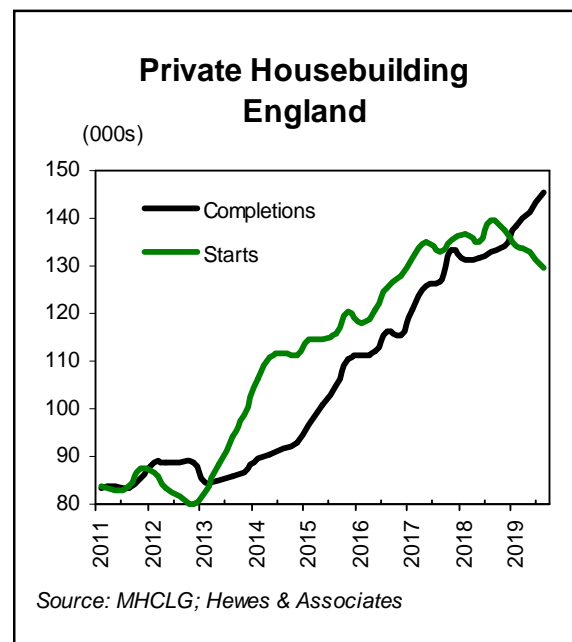
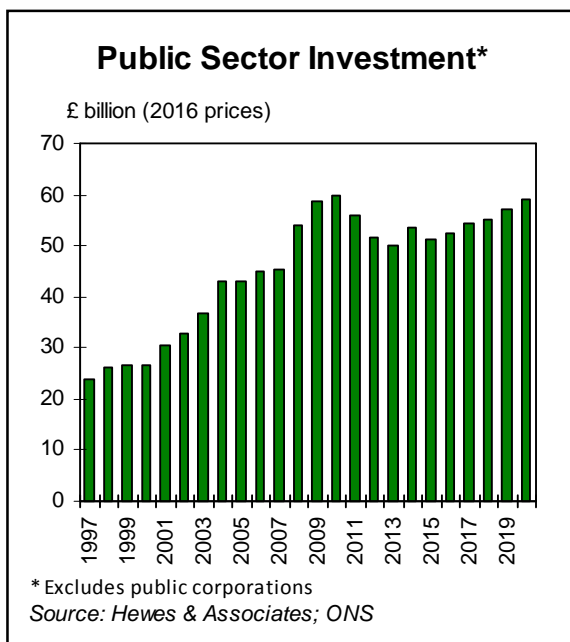
The latest macro-economic data reveal 2019 as being another year of relatively weak GDP growth – 1.4% compared with 1.3% recorded in 2018. We expect growth to remain weak over 2020 and 2021, primarily due to sustained softness in consumption.

Construction output volumes rose by an estimated 2% in 2019, which compares with near stability in 2018. The pick-up in 2019 was due mainly to strength in residential and infrastructure. Interestingly, the latter took place alongside a much reduced orders pipeline.

For 2020 we expect the total volume of GB construction work to decline, by close to 3%. Continued weakness in commercial building, alongside a decline in private housebuilding underlies this. The most recent data for England show housing starts falling over the twelve months to September 2019, while in the wider market prices are reported as edging higher and transactions are stable. Brexit uncertainty is often stated as a major problem for this market, although the inability of most first-time buyers to afford a house is surely the key issue.

Infrastructure construction growth is currently influenced, to some extent, by cost overruns on Crossrail, and these will continue over 2020. We now know HS2 will proceed, and main construction should commence later this year. Outside of this project, workloads are expected to remain strong in the key roads and utility sectors.

Assuming that the extra investment promised by the Government goes ahead, public non-housing has a promising outlook, with volume growth forecast for the next few years. Importantly, for the first time in ten or so years, investment plans across this sector are positive, and it does appear that austerity-induced capital budgets will soon be a thing of the past.



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