

## CONSTRUCTION OUTLOOK: OCTOBER 2020

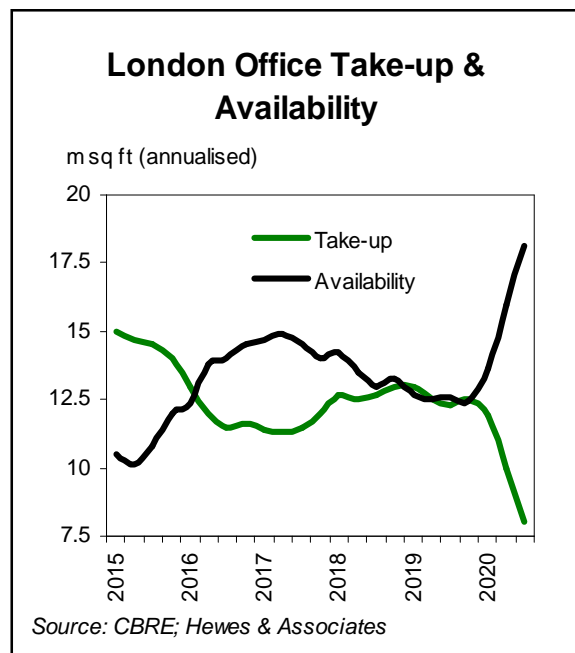
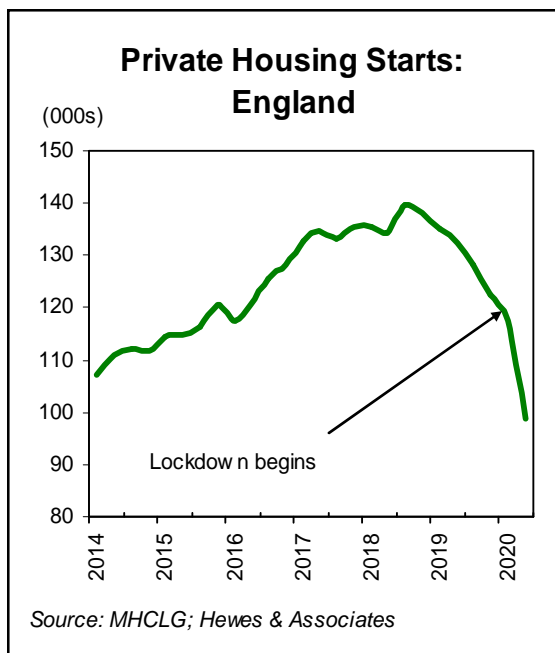
With the majority of 2020 behind us, it appears the UK economy will suffer a contraction of close to 10% this year. While most sectors of the economy rebounded strongly following the end of lockdown, the imposition of new restrictions, and local lockdowns, implies restrained economic conditions over late 2020 and into 2021. Assuming certain sectors of the economy sustain lasting damage, and consumers are generally more cautious, the outlook for GDP beyond 2020 is one of gradual recovery.

The volume of construction output fell by 33% in the second quarter of 2020, but recovered once lockdown ended, rising strongly over the months May-July. By July output volumes were within 12% of those in mid-2019. In general, public sector work fell less steeply in lockdown, and recovered at a stronger pace from the end of lockdown, than that in the private sector.

While confidence was improving over the summer, the recent (September) imposition of new Covid related restrictions has, in our view, removed a good deal of that confidence. Hence the short-term outlook is relatively dull. Certainly we expect growth in both the economy and construction, but we do not expect a resumption of 2019 volumes until beyond 2022.

Those sectors funded by the public purse have a relatively good outlook compared with those subject to business and consumer confidence. While the Government may not be planning as such, the state is set to take on a much enhanced role, and that is expected to show up in investment.

Commercial building appears most at risk over the next few years. Lockdown and social distancing have caused not only immediate financial damage, but also changes to business behaviour in ways that destabilize established corporate models. For instance, prolonged homeworking implies much reduced office development, emptier trains, and city centres.



### HEWES & ASSOCIATES