

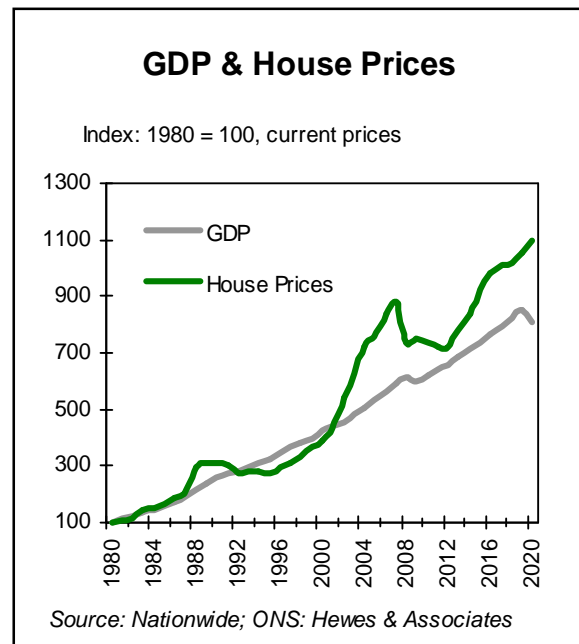
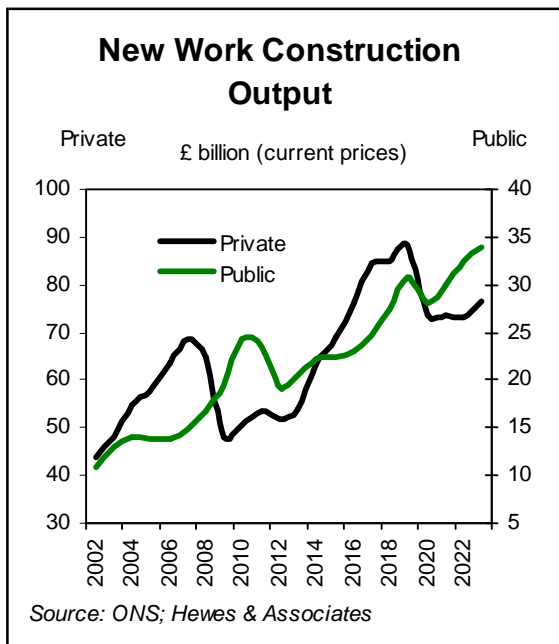
## CONSTRUCTION OUTLOOK: JANUARY 2021

The UK economy is estimated to have contracted by 11-12% in 2020. Although most sectors of the economy rebounded strongly following the end of the first lockdown, the imposition of new restrictions from October 2020, followed by more lockdowns, resulted in a weak end to 2020, and an uncertain start to 2021 - for the economy and construction industry this will take the form of a contraction in activity during the first quarter.

Businesses across the UK now find themselves in the midst of great ambiguity and totally uncharted economic territory. Our working assumption is that the vaccine rollout will allow the economy to come out of the third lockdown by March/April. Beyond then we assume restrictions are gradually lifted, although not by enough to enable a return to normality.

Although the third lockdown may not last as long as the first, in some ways it is worse as it will deliver a final shock to many businesses. Meantime, so prolonged has the economic turmoil associated with Covid been, the Government will, in our view, find itself with much greater economic responsibilities than it planned for. In short, it will command a larger share of the economy as the decade progresses.

The volume of construction output is estimated to have declined by 13% in 2020, while the volume of orders dropped by 9% over the twelve months to September 2020, with a decline of 13% estimated for the year. With this decline, orders are now 25% below the mid-2018 volume. The outlook for construction output is one of modest growth to 2023/2024 – we do not expect the volume of work to reach 2019 levels until beyond 2023. A strong rebound in construction work over 2021 is not forecast, largely because of the manner in which the year has started – a third lockdown, of unknown duration, alongside intense business uncertainty and financial pain.



### HEWES & ASSOCIATES