

CONSTRUCTION OUTLOOK: APRIL 2021

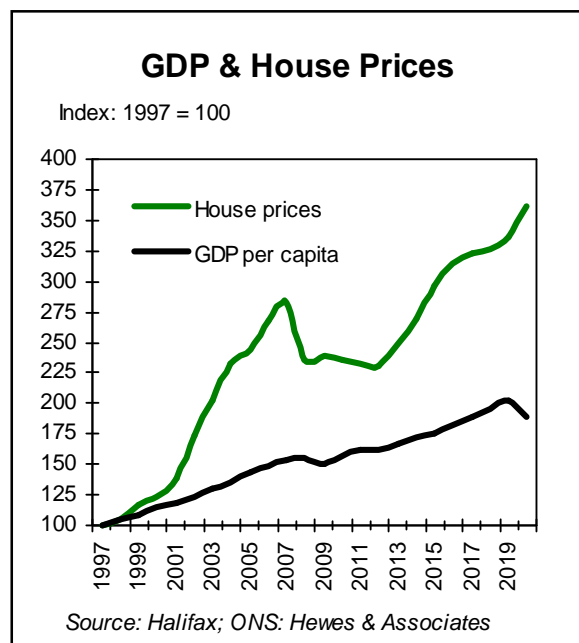
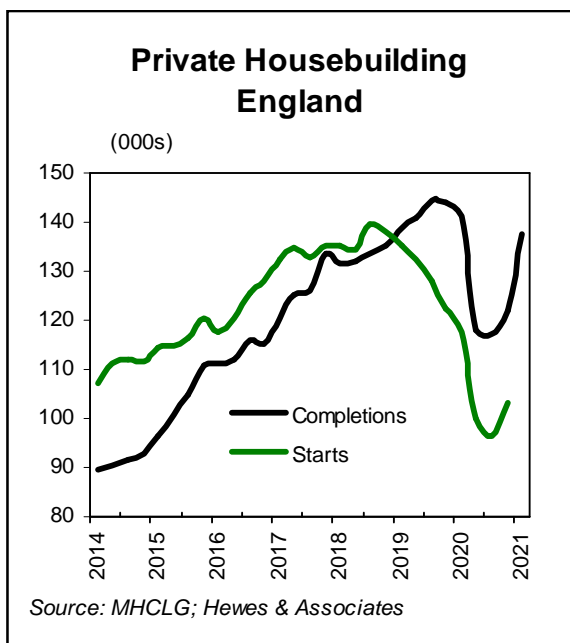
The UK economy contracted by almost 10% in 2020, and the construction industry by 14%. The volume of construction orders fell by 13%. Meanwhile, despite growth over the final half of 2020, the economy was, in early 2021, 8% below that a year earlier when viewing monthly data.

As the UK economy emerges from its third lockdown, retail and other businesses are opening up, and the hope is that a return to normality will ensue over the summer, although given emerging Covid strains and bans on international travel, that should not be viewed as a certainty.

So prolonged has the economic disruption associated with Covid been, the Government will, in our view, find itself with much greater economic responsibilities than it plans for. In short, it will command a larger share of the economy as the decade progresses. This thinking underlies our forecasts of long-term growth in public and associated works.

The outlook for construction output is one of modest growth to 2023/2024, and we do not expect the volume of work to reach 2019 levels until beyond 2023. Over the short-term though, private housing will do well, as will infrastructure, although due to a sharp drop in orders in 2020, growth in public non-housing is not forecast until 2022.

As the UK emerges from Covid, the damage inflicted by lockdowns will become more apparent, as will opportunities. In the commercial sector a possible new area of work is the repurposing of our high streets, while in the residential sector the Government's net zero targets imply a vast amount of work to reduce carbon emissions. In the industrial sector the demise of high street retail implies greater volumes of warehouse development, while in the factory sector electric vehicles offer long-term hope. As ever, the challenge concerning all such opportunities relates to funding and incentives, which are currently limited in scale.



HEWES & ASSOCIATES