



CONSTRUCTION OUTLOOK: OCTOBER 2021

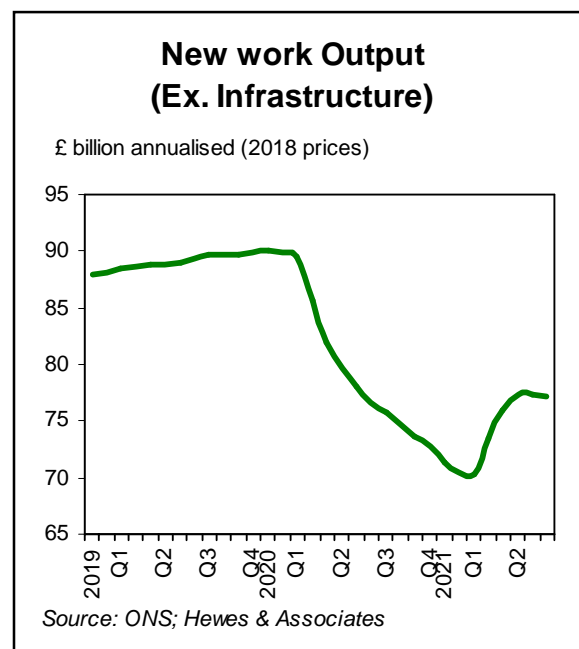
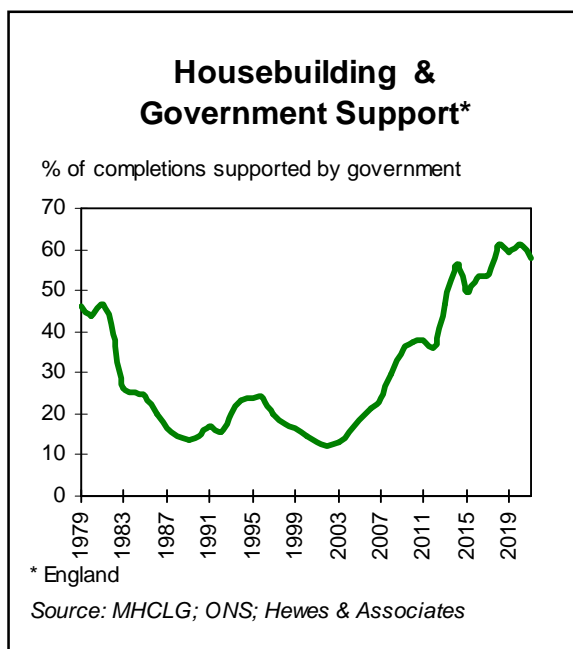
The UK economy has staged a reasonably robust recovery from Covid lockdowns, although inflation, supply chain issue, and goods and labour shortages show that lockdowns come with lingering economic consequences. Implementing Covid lockdowns and restrictions was a relatively easy process; dealing with the after-effects will likely be a far from easy process.

After declining by 14% in 2020, the outlook for GB construction output is one of a rebound of close to 11% in 2021, followed by little change in workloads to 2023.

While measured on an annual basis growth for 2021 will be strong, it is concerning that measured on a monthly basis output has been in marginal decline since early summer. Interestingly, this relates to weakness in the new work sector, and in particular new work excluding infrastructure. Work in this segment is presently 15% below that at the start of 2020, while infrastructure work is 10% above that in early 2020. Repair and maintenance work is presently 2% above that in early 2020.

The above noted weakness in new work excluding infrastructure relates to softness in commercial, industrial, and public non-housing work. The outlook for industrial investment is, however, good, as is that for public non-housing, while commercial faces key challenges, especially work from home.

Private housing has benefitted from the Stamp Duty holiday and buyer demand for greater space associated, perhaps, with work from home. The future offers a changed path though, with an interest rate rise now seen as more likely than a few months ago. Interestingly, despite a booming market and vast Government help in the form of Help to Buy (which over the year to April 2021 accounted for almost 45% of private completions), builders are seemingly cautious, with housing completions remaining firmly above starts (roughly 17,000 on an annualised basis). Meanwhile, Government now supports close to 60% of all housebuilding in England, as shown below.



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