

UK Construction Industry Forecast 2022

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9th November 2021



For over 50 years, we've been helping the construction and manufacturing industries **build confidence** in the solutions designed, created and implemented **throughout the entire supply chain**.

The BBA develops **long-term partnerships** with clients and associations to enable **continued growth in both the UK and Global marketplaces**, while remaining reassuringly impartial.

As a for-profit organisation Limited by Guarantee, the BBA looks **to reinvest in the industry as a whole** for the benefit of all stakeholders.



What we do



Product Approval Certification



BBA Agrément Certification



Reproduction Certification



HAPAS



Testing



Audit and Inspection



Management Systems



UKCA Marking

To date



6,000+
CERTIFICATES ISSUED



72+
COUNTRIES REPRESENTED
by CLIENT BASE



130+
BBA PEOPLE



50+
YEARS IN BUSINESS



400+
TESTING METHODOLOGIES



1000+
ANNUAL INSPECTIONS

What we'll cover;

- UK economy updates
- Latest construction data and forecasts
- Key risks, challenges and future opportunities
- Q&A



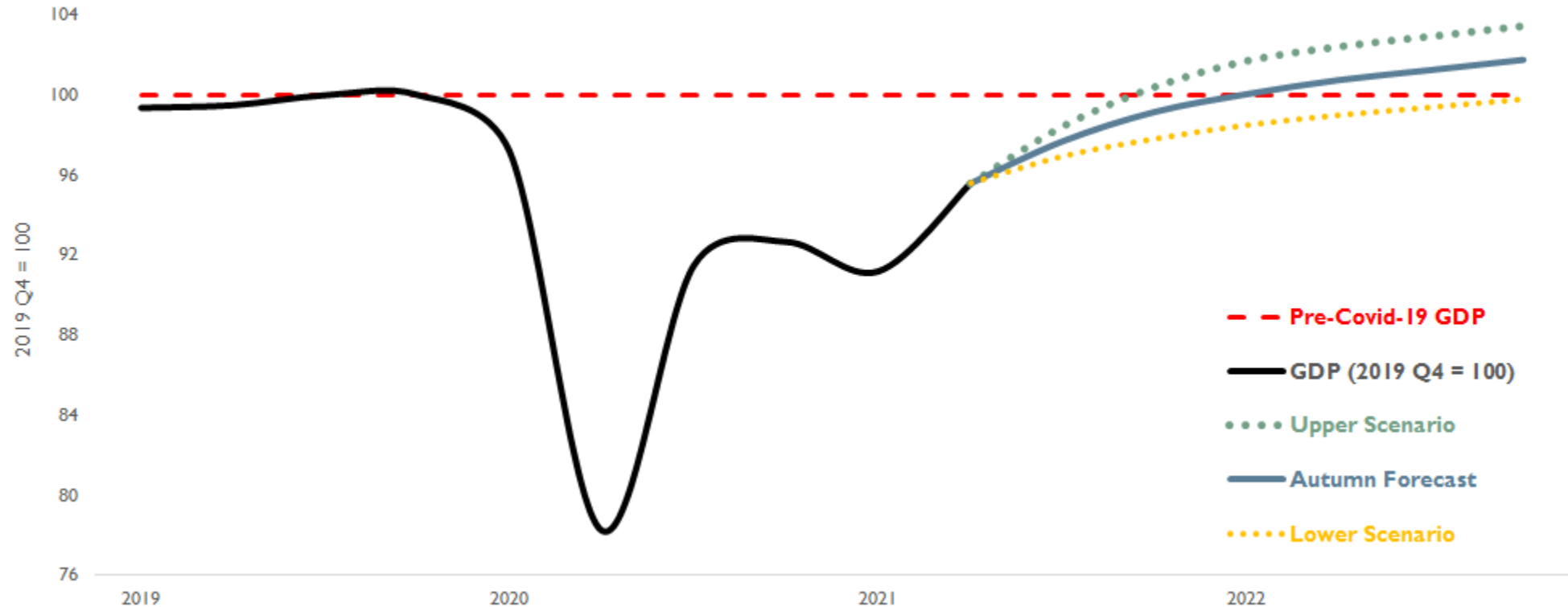
**CPA Forecasts for BBA
Webinar**
(9 November 2021)



UK Economy

W-shape Recovery & Strong Demand But...

CPA UK Economic Scenarios (Quarterly UK GDP)



Source: ONS, CPA Estimates

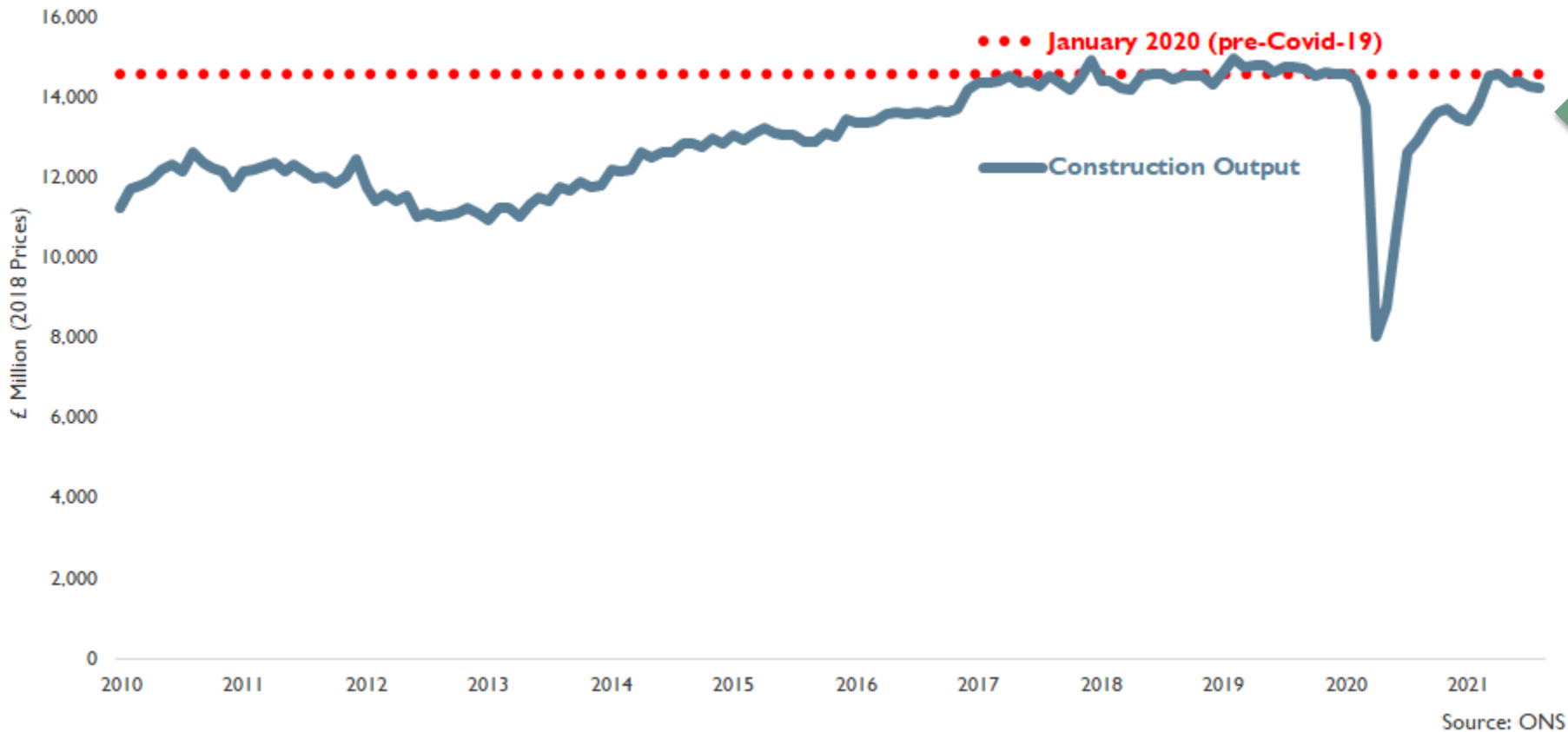
After a 9.8% fall during 2020, UK GDP is forecast to rise by 6.8% in 2021 (compared with 7.0% in Summer). The rates of recovery were quickest in 2021 Q2 as social distancing restrictions eased but now the 'quick wins' of the economy reopening have largely gone and government stimulus is ending so growth rates will slow. UK GDP is forecast to reach pre-Covid-19 levels in 2022 Q1 and rise by 5.5% overall in 2021 (compared with 6.3% in the Summer) due to the impacts of inflation peaking in 2021 Q4 and 2022 Q1 on consumer confidence and spending.

... The Economic Risks are Rising

- Will unemployment rises now furloughing and the self-employment income support have ended?
- Will government tightening spending and raise taxes?
- Will households revert back to normal spending patterns rather than the 'search for space'?
- **The impact of rising inflation on Economic Growth?**
- **How will the demand be for Offices, Support services, Retail, Leisure and Transport given semi-permanent working from home for some office workers?**

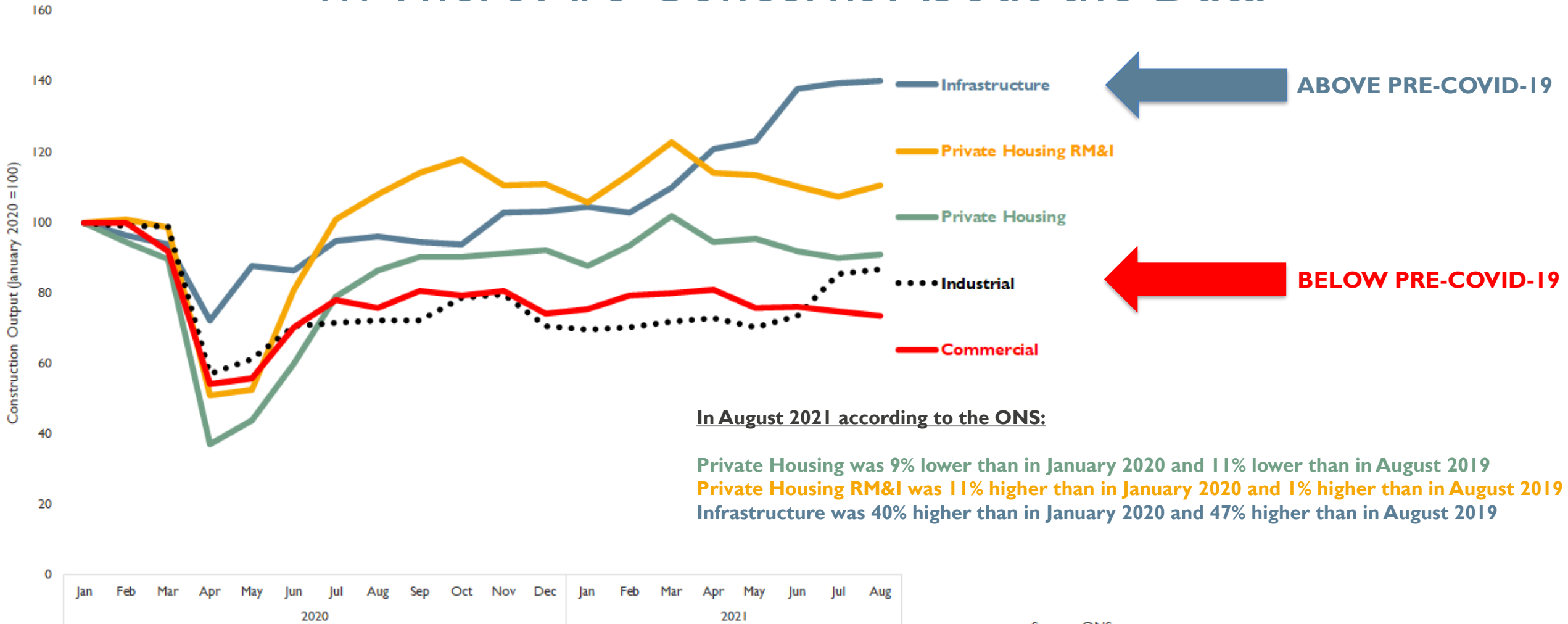
Latest Construction Information

Still a V-shape Construction Recovery...



According to the ONS, construction output in August 2021 fell 0.2% compared with July and was 2.3% lower than in January 2020 or 3.6% lower than in the same month two years ago (August 2019).

... There Are Concerns About the Data

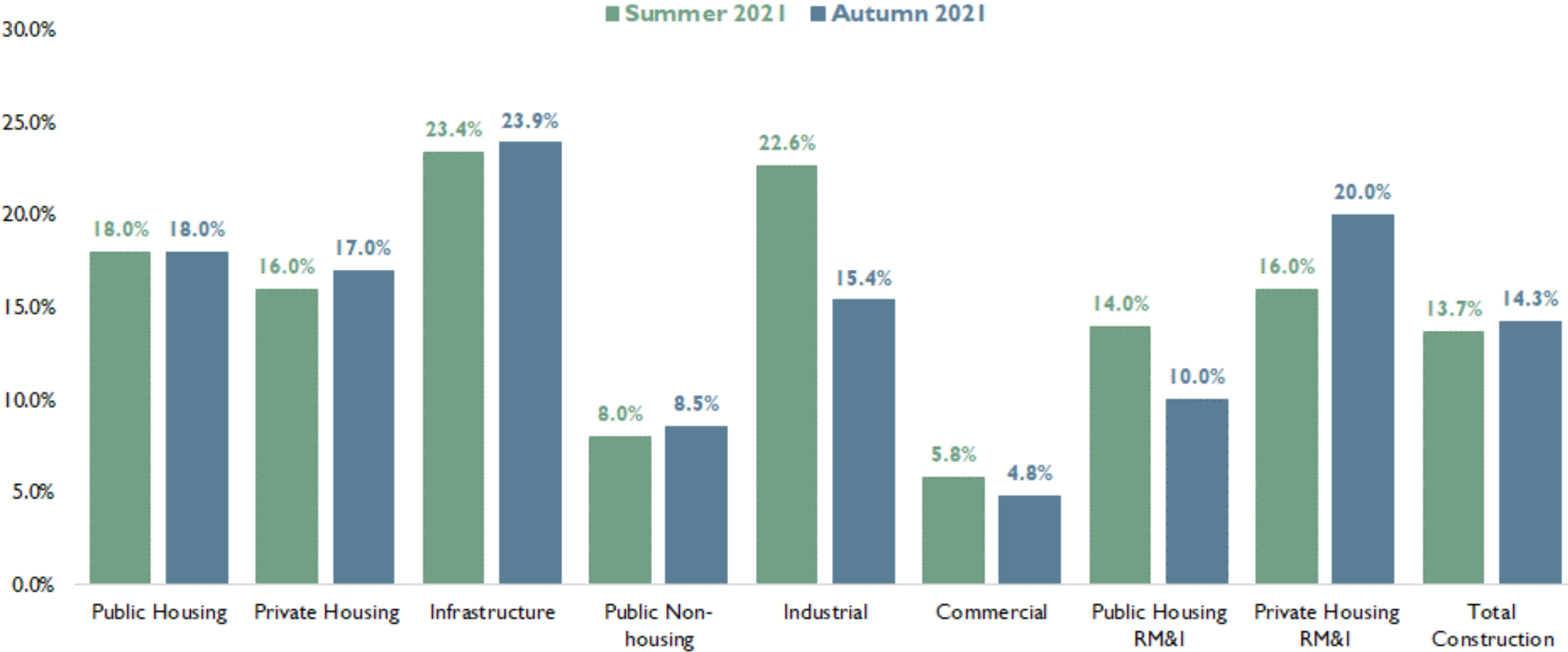


Source: ONS

Contractors' Views on Activity

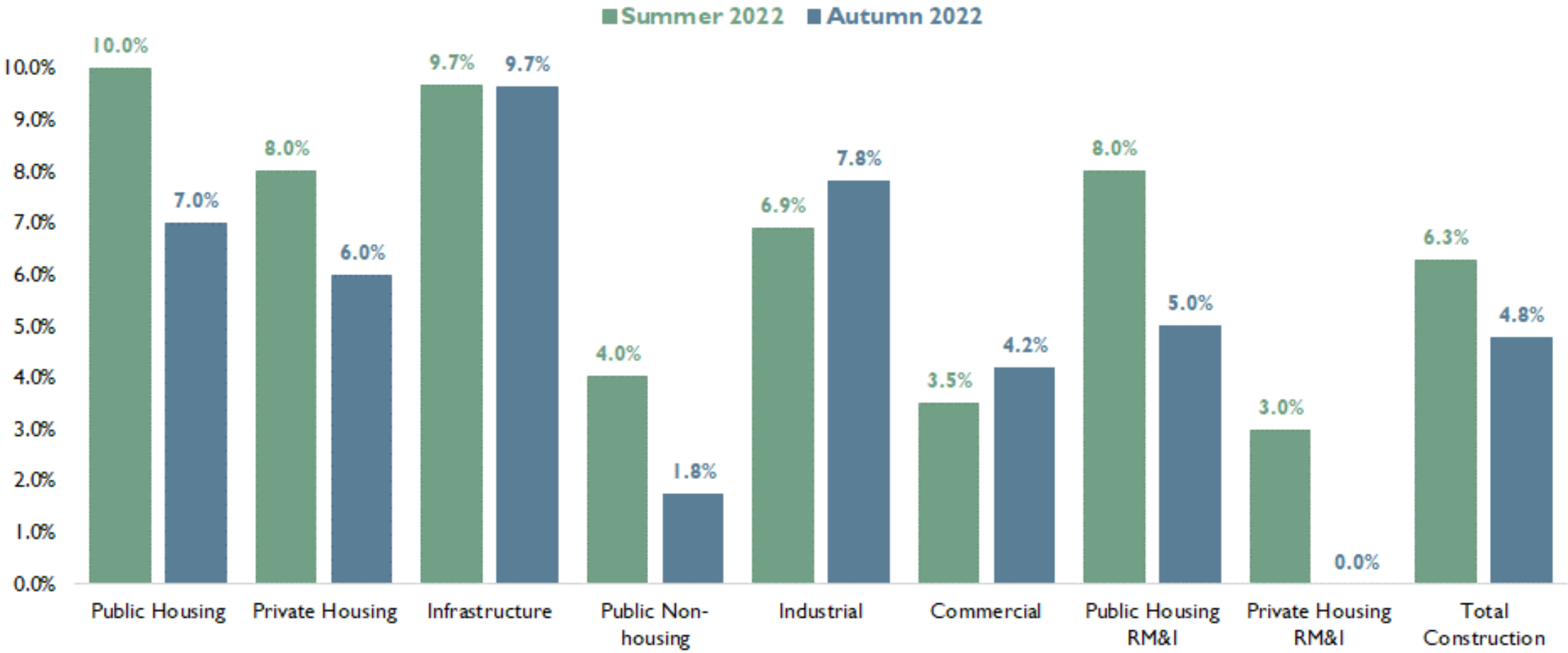
- Housing demand continues to be strong – house builders confident on the demand for houses (as opposed to flats) into the first half of 2022 but medium-term affordability concerns
- Private housing rm&i demand remains strong & SMEs have projects lined up for the next 6 months **but materials availability & cost is a major issue**
- Public housing rm&i is strong for cladding remediation but there are **long lead times for essential products such as pre-coated aluminium/steel** whilst public housing rm&i was subdued but picked up since Q1
- Infrastructure demand remains strong on major projects **but delays are an issue** and considerable frameworks activity although concern about new projects coming through in regulated sectors
- Commercial activity picked up from March 2021 due to increased fit-out work on offices, retail and leisure units and some high-end work as companies look for smaller, better quality office space **but there are few new tower projects in the pipeline to replaced existing towers projects finishing**
- Industrial demand very strong on warehouses but delays on this activity coming through

CPA Forecast for 2021



Source: CPA Forecasts

CPA Forecast for 2022

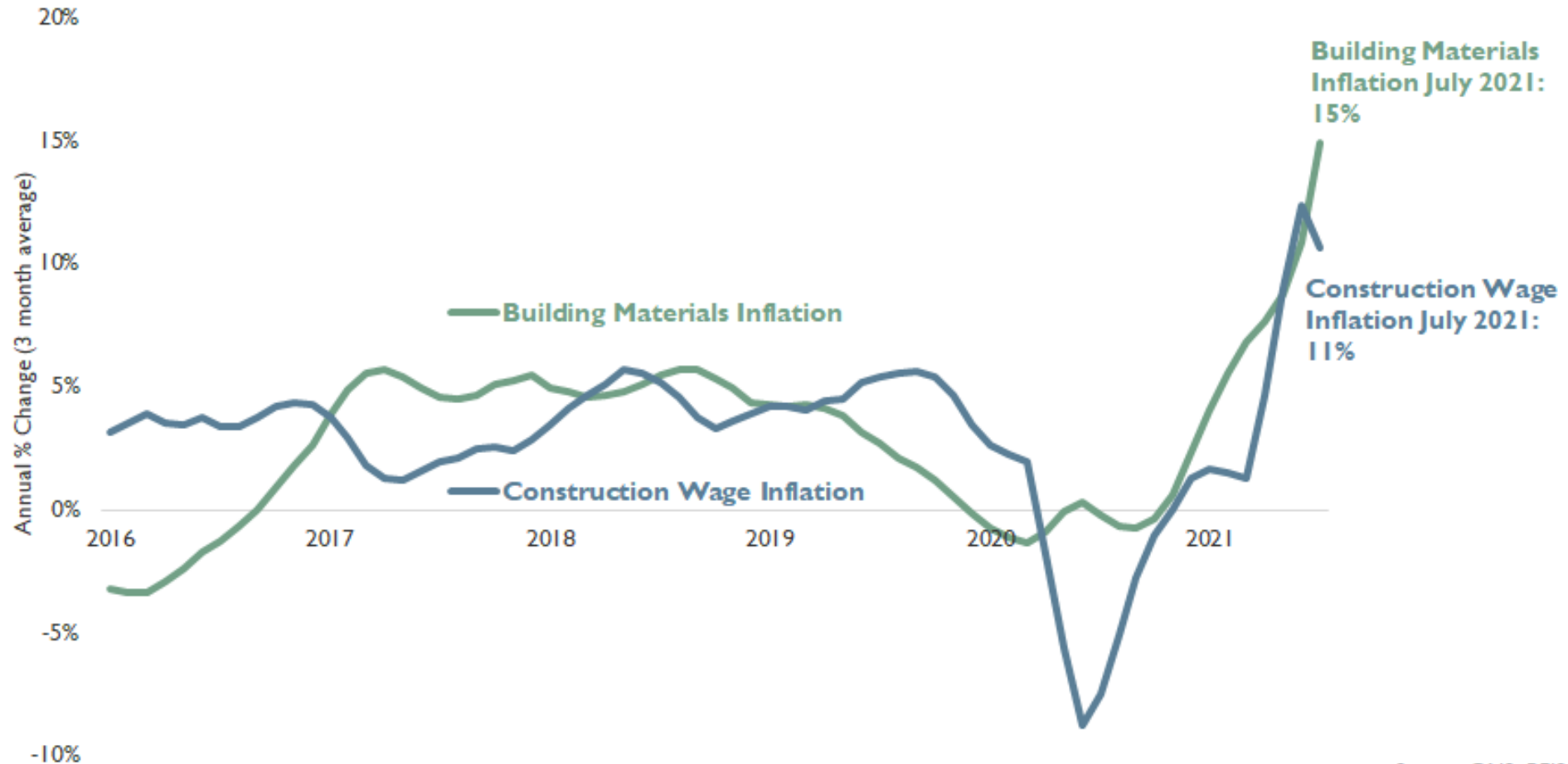


Source: CPA Forecasts

Key Risks

- Imported Products Cost and Availability; sharp global recovery since Summer 2020 exacerbated by ports delays (UK, Europe and global ports especially China) since Summer 2021
- Timber issues and plastics & polymers appear to be easing slightly but copper, aluminium and steel, paints & resins, roofing and cladding materials still an issue
- Some domestic heavyside products continue to be an issue such as bricks, cement and roofing products
- HGV driver shortage continues to affect manufacturers & merchants deliveries
- Impact of energy costs rises (hedging, advance purchasing). Can manufacturers pass the cost rises on?
- **KEY CONCERN – Impact of rising costs on specialist sub-contractor margins, particularly firms on fixed-price contracts signed 12-24 months ago?**

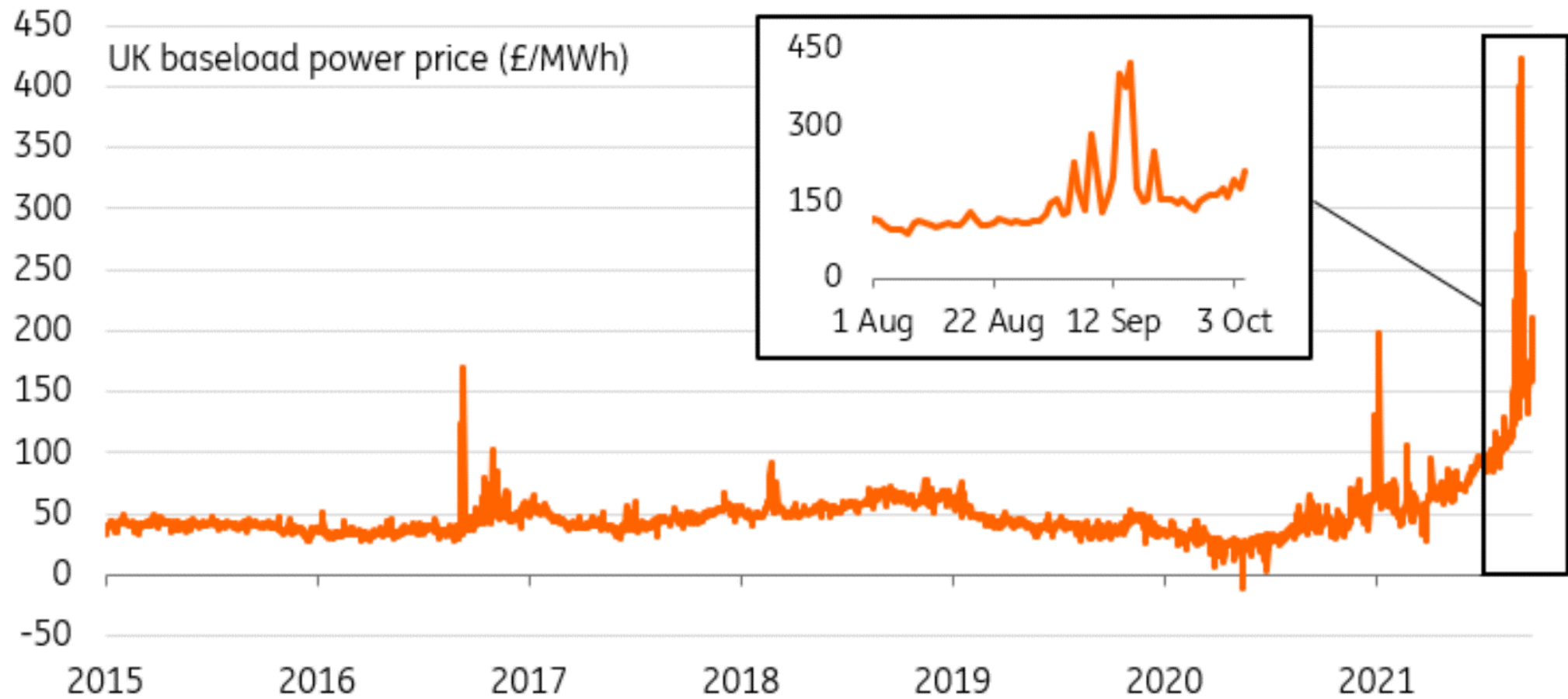
Construction Labour and Materials Inflation



Source: ONS, BEIS

UK construction average wages inflation (regular pay) in the 3 months to July 2021 was 11% whilst building average materials inflation in the 3 months to July 2021 was 15%, which has major implications for contractors, particularly specialist contractors working on fixed price contracts signed up to 12-18 months ago or more whose average profit margins tend to be around 2-3%.

Energy Prices





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Q&A