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New Orders Indicate Cautious Optimism for Construction

Construction new orders for the final quarter of 2012, released today by the ONS, rose 3 per cent compared to the third quarter and were 11 per cent higher than the same quarter one year earlier. Although new orders remain at historic lows, this is a second consecutive quarter of growth and potentially provides positive signs for the industry going forward.

Commenting on the ONS figures, Milja Keijonen, Economist at the Construction Products Association said; 'Output in construction fell 8 per cent in 2012 and so the second consecutive quarter of growth in new orders provides some much needed positive news for the industry. New orders are a forward-looking indicator and it will take around 12-18 months before the industry sees the benefits of this in construction output. Private housing has a much shorter time-lag between orders and output so the 10 per cent growth in private housing new orders in Q4, compared to the previous quarter and year, should lead to a rise in output this year.

'New orders in the commercial sector, the largest sector of construction, were 10 per cent higher in Q4 than in Q3 and were 14 per cent higher than one year ago. Despite this, commercial new orders remain 64% lower than the pre-recession peak so it is too early to get excited about a recovery in offices and retail construction.

'It was extremely disappointing that infrastructure new orders fell 15% compared to the previous quarter, fell 13% compared to a year ago and were 29% below the pre-recession peak. Government announced £1.3 billion of capital investment to boost infrastructure in the Autumn Statement and it is essential that this is spent if the contraction in infrastructure is to be reversed.

The £10 billion of capital investment announced by the government over the last two years is yet to provide significant activity on the ground. If it were to occur, it would add an extra 0.8% to GDP, even without taking account of any wider benefits.'

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NOTE TO EDITORS:

The Construction Products Association represents the UK's manufacturers and suppliers of construction products, components and fittings. The Association acts as the voice of the construction products sector, representing the industry-wide view of its members. The sector has an annual turnover of £50 billion and accounts for 44% of total construction output.

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