

Friday 5 October 2018

Construction Manufacturers Expect Strong Final Quarter of 2018

Construction products manufacturing returned to business as usual in Q3 after the weather-related pauses and subsequent catch-up in the first half of the year. Britain's £56 billion industry is cautiously optimistic that the year will finish strong with sales anticipated to pick-up in Q4.

The Construction Products Association's latest State of Trade Survey reveals that product sales, which act as an early indicator of wider activity in the UK construction supply chain, increased in 2018 Q3. For heavy side manufacturers, 27% reported that sales increased, which was below the 40% that reported a rise in sales in a weather-boosted Q2, but in line with the average survey balance for 2017. On the light side, which includes products such as insulation, boilers, glass and lighting, 27% of manufacturers also reported that sales rose, marking the first increase of 2018.

Manufacturers anticipate growth continuing in Q4, with 18% of heavy side firms and 43% of those on the light side expecting an increase in sales during the quarter. Manufacturers also reported that labour cost pressures began to subside in Q3. Two-thirds of heavy side firms reported an increase in wages and salaries, but this was the lowest balance since 2013 Q4. In contrast, cost inflation for fuel and raw materials remained elevated.

Rebecca Larkin, CPA Senior Economist said: "Given the unprecedented levels of economic uncertainty around Brexit and the weather-related distortions in the first half of the year, signs of a steady expansion in Q3 for construction product manufacturing and the building activity it delivers into are reassuring. Manufacturers remain cautiously optimistic and expect sales to increase in the fourth quarter, but it will be the political developments in Q4 that are crucial in setting the backdrop for this to become a reality.

"Cost pressures appear to have started easing on the labour side, but with continued weakness in Sterling and the upward march in global oil prices since May, manufacturers are still feeling the pinch when it comes to fuel and raw materials input costs."

Key survey findings include:

- A balance of 27% of heavy side firms and 27% of light side firms reported that construction product sales rose in the third quarter of 2018 compared with the second quarter.
- On an annual basis, sales also increased for 27% of heavy side and light side firms
- On balance, 18% of heavy side manufacturers anticipated a rise in sales in the next quarter, decreasing from a balance of 50% in the previous quarter
- On the light side, 43% of firms expected an increase in product sales in Q4, compared to a zero balance in Q1 and Q2
- Overall annual cost increases were reported by 64% of manufacturers on the heavy side and 50% on the light side
- Raw materials costs rose according to 82% of heavy side manufacturers and 71% of those on the light side

- Fuel costs were reported higher by 90% of heavy side and light side firms

ENDS

NOTE TO EDITORS:

Heavy side products are typically structural materials used early in the construction process and include materials used in transport and other civil engineering projects. Heavy side materials include: aggregates, cement, ready-mix concrete, structural and reinforcing steel. Light side products are typically installed later in the construction process and include internal fittings and services. Light side products include: heating and ventilation systems, plumbing, electrical and lighting, doors and windows, kitchen furniture and thermal insulation.

The [Construction Products Association](#) represents the UK's manufacturers and distributors of construction products and materials. We are committed to raising the profile of our industry and members' businesses, helping grow the market and reducing regulatory risk. The sector directly provides jobs for 333,000 people across 23,000 companies and has an annual turnover of more than £56.5 billion. The CPA is the leading voice to promote and campaign for this vital UK industry.

The CPA produces a range of economic reports including the quarterly Construction Industry Forecasts, Construction Trade Surveys and the State of Trade Surveys. All are available to members or subscribers via our website.

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