**Monday 11 February 2019**

Construction Ended 2018 with a Mixed Performance

The construction industry experienced a mixed quarter for sales, output and new orders in the final three months of 2018, according to a quarterly survey of the supply chain’s product manufacturers, contractors, civil engineers and SME builders by the Construction Products Association.

The Construction Products Association’s Construction Trade Survey for 2018 Q4 shows that during the quarter, sales of construction products rose according to 55% of heavy side manufacturers and 21% of light side manufacturers, whilst 25% of SME builders reported an increase in workloads. However, output, new orders and enquiries were reported lower by main building contractors, specialist contractors and civil engineering contractors. Rising costs for raw materials continued to filter through the supply chain, as reported by two-thirds of main contractors, 82% of heavy side product manufacturers and 74% of light side manufacturers and combined with lower volumes of work, continued to squeeze profit margins for building contractors.

Commenting on the survey, Rebecca Larkin, Senior Economist at the CPA, said: “Parts of the construction supply chain have clearly started to feel the effects of the falls in new orders since the EU referendum translating into reduced activity in sectors such as high-end residential, commercial offices and industrial factories. The uncertainty that precludes investment decisions in these sectors with a high upfront outlay may also be benefiting other areas of the supply chain. Product manufacturers’ optimism looking towards 2019 may be reflective of continued high levels of activity in buoyant regions outside of the South East, as well as an element of precautionary stockpiling on-site providing a near-term sales uplift.”

Brian Berry, Chief Executive of the Federation of Master Builders, said: “Workloads for small construction firms continued to rise in the last quarter of 2018 but after 23 consecutive quarters of growth, these latest results could mark a tipping point. Mounting Brexit uncertainty is starting to have a tangible effect and the indicators are not good with almost half of builders reporting signs of a weakening housing market. Furthermore, a worrying one in five construction SMEs has had projects stalled in the past three months due to delays to loans, or loan refusals, from the banks. Together with ever-rising costs due to material price hikes and labour shortages, the headwinds are blowing in the wrong direction for the UK construction sector.”

Commenting, Build UK Policy Manager, David Bishop said: “The latest State of Trade result highlights a difficult Q4 with half of main contractors and a quarter of specialists reporting a decrease in output compared to this time last year. Furthermore the lack of required skills remains a concern along with the ongoing uncertainty caused by Brexit. Build UK has worked with other industry bodies, including all those involved in proceeding the State of Trade, to collate a report which identifies occupations that are experiencing, or may experience, shortages of available staff in the UK construction sector. This has been shared with industry and government.”

Key survey findings include:

* On balance, 46% of main building contractors and 25% of specialist contractors reported that construction output fell in the fourth quarter of 2018 compared with a year ago
* 3% of civil engineers, on balance, reported a decrease in workloads during Q4
* On balance, 25% of SME contractors reported increased workloads in Q4 compared to three months earlier
* Main contractors reported that order books were only higher in the housing and non-housing R&M sectors
* 8% of civil engineering firms reported a decrease in new orders in Q4, on balance
* 14% of SMEs reported an increase in enquiries in Q4, on balance; enquiries fell for 25% of specialist contractors
* Overall costs increased for 86% of civil engineering contractors, whilst two-thirds of main contractors, 82% of heavy side product manufacturers and 74% of light side manufacturers reported a rise in raw materials costs
* Profit margins fell for 13% of main contractors and 40% of specialist contractors in Q4.

**ENDS**

**NOTE TO EDITORS:**

1. The [Construction Products Association](http://www.constructionproducts.org.uk) represents the UK’s manufacturers and distributors of construction products and materials. The sector directly provides jobs for 337,000 people across 23,818 companies and has an annual turnover of more than £60.2 billion. The Association 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.

Much of the CPA's work is focused on serving as the first point of contact for politicians and policy makers requiring advice and information about matters that affect construction products or the wider construction industry. This includes understanding the need for investment into manufacturing or the built environment, new housing and energy-saving retrofitting of the existing housing stock; helping to develop effective, UK and EU legislation, regulations and product standards; and promoting the role of manufacturers in delivering a resource efficient built environment.

1. [Build UK](http://www.builduk.org) provides a strong collective voice for the contracting supply chain in construction. Build UK brings together 27 of the industry’s largest main contractors and 40 leading trade associations representing over 11,500 specialist contractors. Build UK was created as a result of a merger between the National Specialist Contractors’ Council (NSCC) and UK Contractors Group (UKCG) in 2015.
2. The [Civil Engineering Contractors Association](http://www.ceca.co.uk/) (CECA) has over 300 member firms that carry more than 80% of all civil engineering work in Great Britain. The CECA survey of civil engineering workload trends, in which more than a third of the membership takes part, tests for changes over the past year in contractors’ workload, workforce, order books, cost trends, and tender prices. It also examines the supply situation for key resources, and contractors’ expectations of trends in new orders and employment in the coming 12 months.
3. The [Federation of Master Builders](http://www.fmb.org.uk/) (FMB) is the largest trade association in the UK construction industry representing thousands of firms in England, Scotland, Wales and Northern Ireland. Established in 1941 to protect the interests of small and medium-sized (SME) construction firms, the FMB is independent and non-profit making, lobbying for members’ interests at both the national and local level. Within its membership, around 45% of FMB members build new homes either as their primary function or as part of the suite of building services they provide, but most are primarily active in the domestic RM&I market. The FMB is committed to raising quality in the construction industry and offers a free service to consumers called ‘Find a Builder’.
4. The [National Federation of Builders](http://www.builders.org.uk/) (NFB) represents around 1,500 builders and contractors across England and Wales. In addition to providing specialist advice and business services, the federation, with a network of four regional offices, lobbies local, national and European government on a range of issues to sustain positive trading conditions for members. With origins dating back to 1876, today's NFB is a modern organisation providing the medium sized contractor and smaller builder with an unparalleled package of services.

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