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Construction Product Manufacturing Rises but Investment Stalls

The construction products manufacturing sector reported favourable results in the first quarter of 2019, with continued growth in the sales of products and materials. Despite the environment of uncertainty relating to Brexit, manufacturers' sales expectations for the next 12 months remained optimistic.

The Construction Products Association's State of Trade Survey for 2019 Q1 reveals a balance of 46% of both heavy side and light side manufacturers experienced a rise in sales during the quarter. Growth in product manufacturers' output is anticipated to rise further in the coming months, with 33% of heavy side firms and half of those on the light side expecting an increase in sales in Q2.

A lack of clarity over the political and economic situation may be holding back product manufacturers' capital investment, however. Only 8% of heavy side firms, on balance, reported an annual increase in investment in structures and 17% reported investment in plant and equipment was higher than a year ago. This compares to five-year average balances of 21% and 54%, respectively.

Rebecca Larkin, CPA Senior Economist said: "Recent construction data has painted a mixed picture of the demand for manufacturers' output, particularly in sectors where confidence has been hit by Brexit-related uncertainty such as commercial offices, industrial factories and high-end residential. Contrast this with almost half of product manufacturers reporting increased sales in Q1, and the anecdotes of on-site stockpiling further down the supply chain seem to be ringing true.

"Although the uncertain climate may be helping manufacturers' sales, the negative impact has been on the sector's capital investment. Heavy side firms have reported a noticeable slowing in investment in new buildings and plant, and investment intentions for the next year remain equally muted. With the risk of a No-Deal Brexit and its damaging effect on construction activity still present, clarity is urgently required."

Key survey findings include:

- A balance of 46% of both heavy side and light side firms reported that construction product sales rose in the first quarter of 2019 compared with the fourth quarter of 2018.
- On an annual basis, sales also increased for 54% of heavy side and 29% of light side firms
- On balance, 33% of heavy side manufacturers and 50% of light side manufacturers anticipated a rise in sales in Q2
- Raw materials costs rose according to 85% of heavy side manufacturers and 82% of those on the light side
- On balance, 8% of heavy side firms reported an annual increase in capital investment in structures in Q1. 17% reported a rise in investment in plant and equipment.
- Over the next year, no heavy side firms anticipate increasing investment in structures and one-third anticipate investment in plant and equipment will increase.

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 337,000 people across 24,000 companies and has an annual turnover of more than £60.2 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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