



construction industry
forecasts 2013-2016

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current & near-term
economic situation

Economic Recovery?



- Q3 GDP 0.9%
- Q4 GDP -0.3%



- Q3 ind production 0.7%
- Q4 ind production -1.8%



- 2011 - Largest fall in RHDl in 30 years

Slowing Inflation, Low Interest Rates



- Inflation: CPI 2.7% in January



- Interest rates to stay low medium term



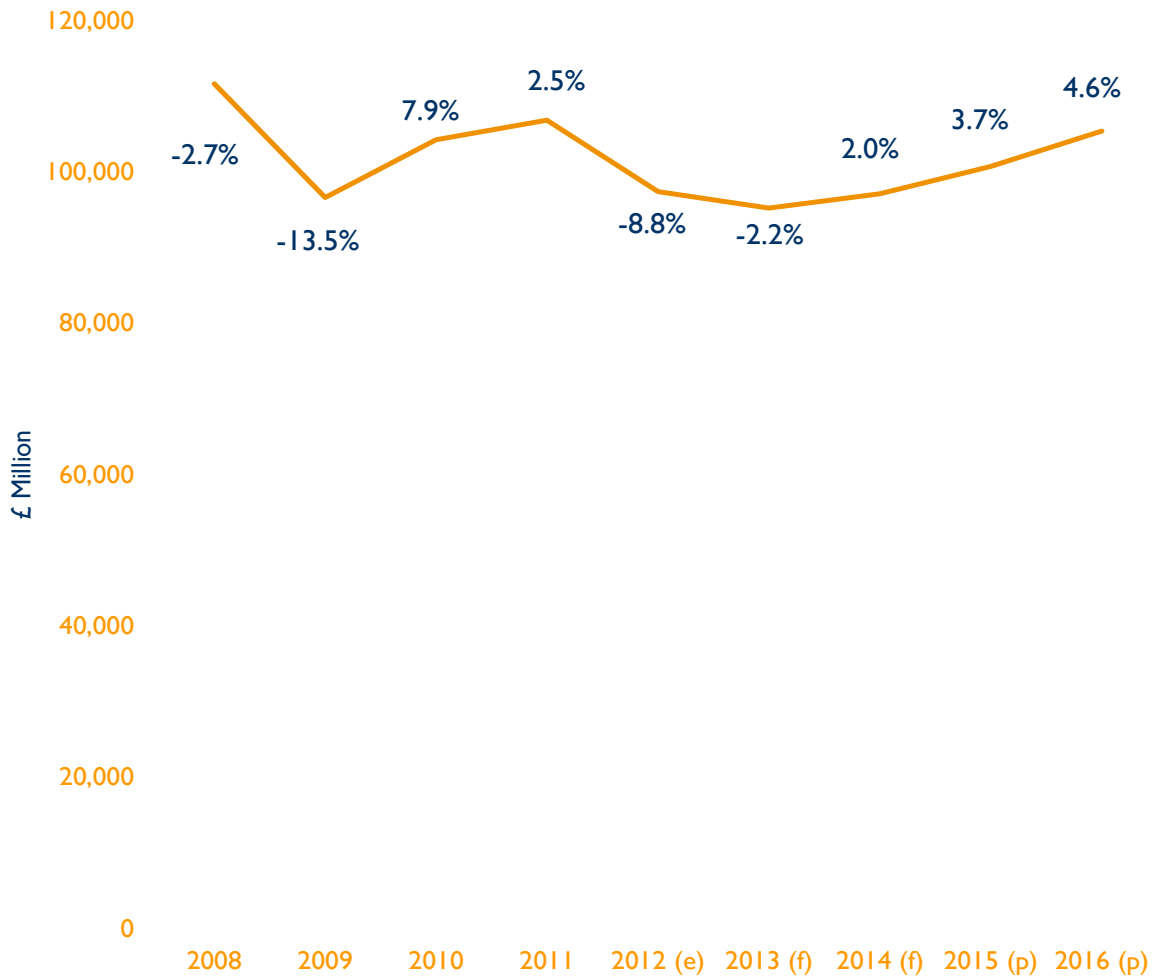
- £375 billion of QE



Looking forward in the
construction industry

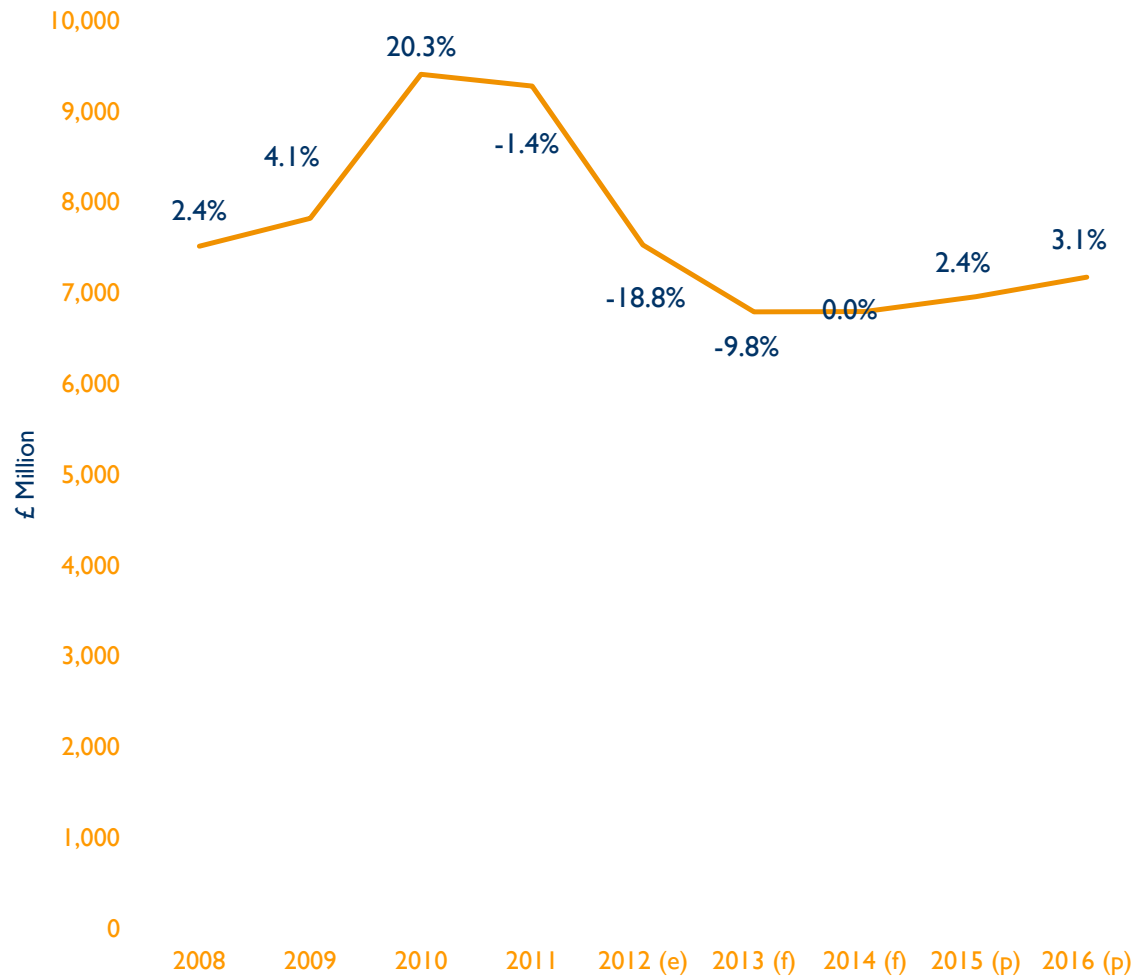
Summary – Fall in 2013, Growth only in 2014

- Contraction in 2013
- Still £100bn of construction work
- Growth in 2014



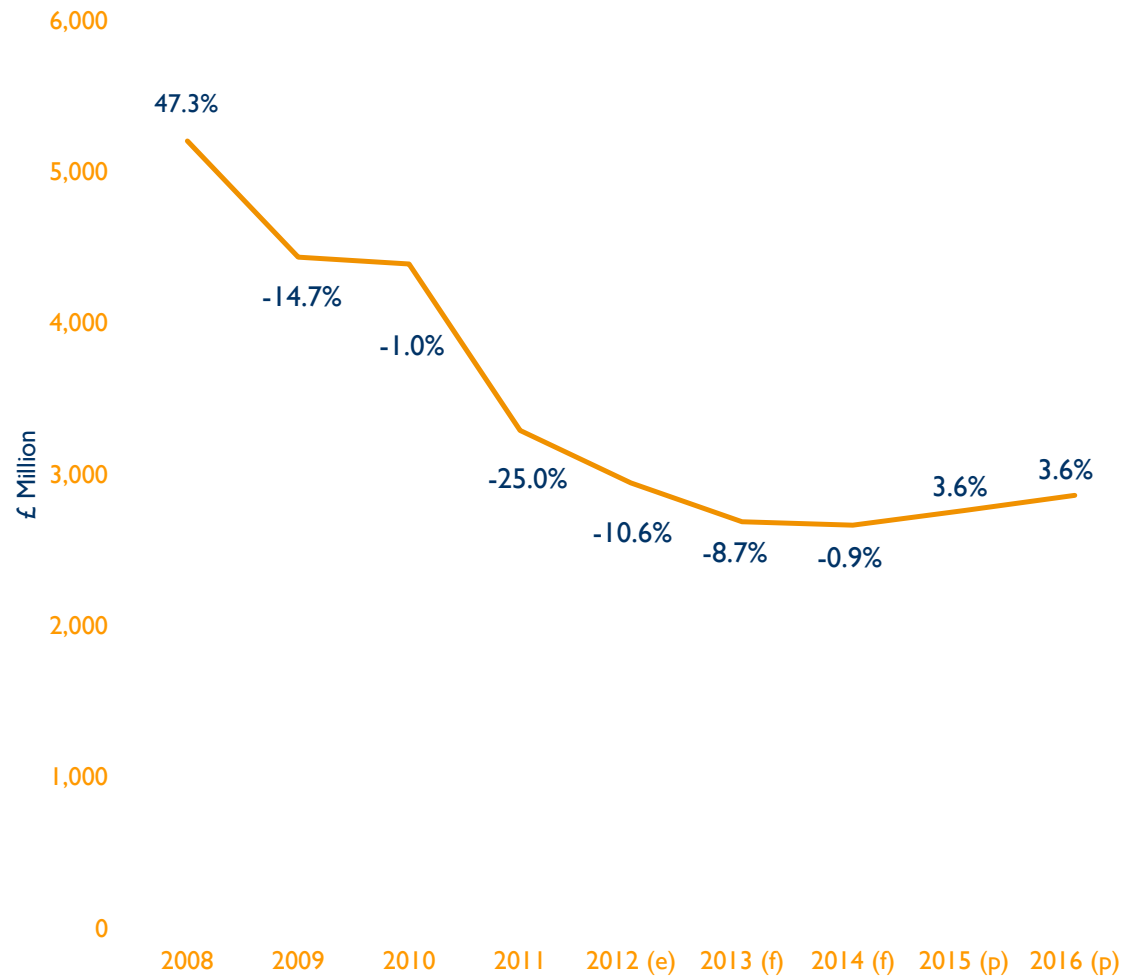
Education Falling from Historic High

- Capital expenditure: £7.3bn in 2010/11
£3.3bn in 2013/14
- Priority Schools Building Programme
- Autumn Statement £1.3 billion capital investment
- PFI Replacement



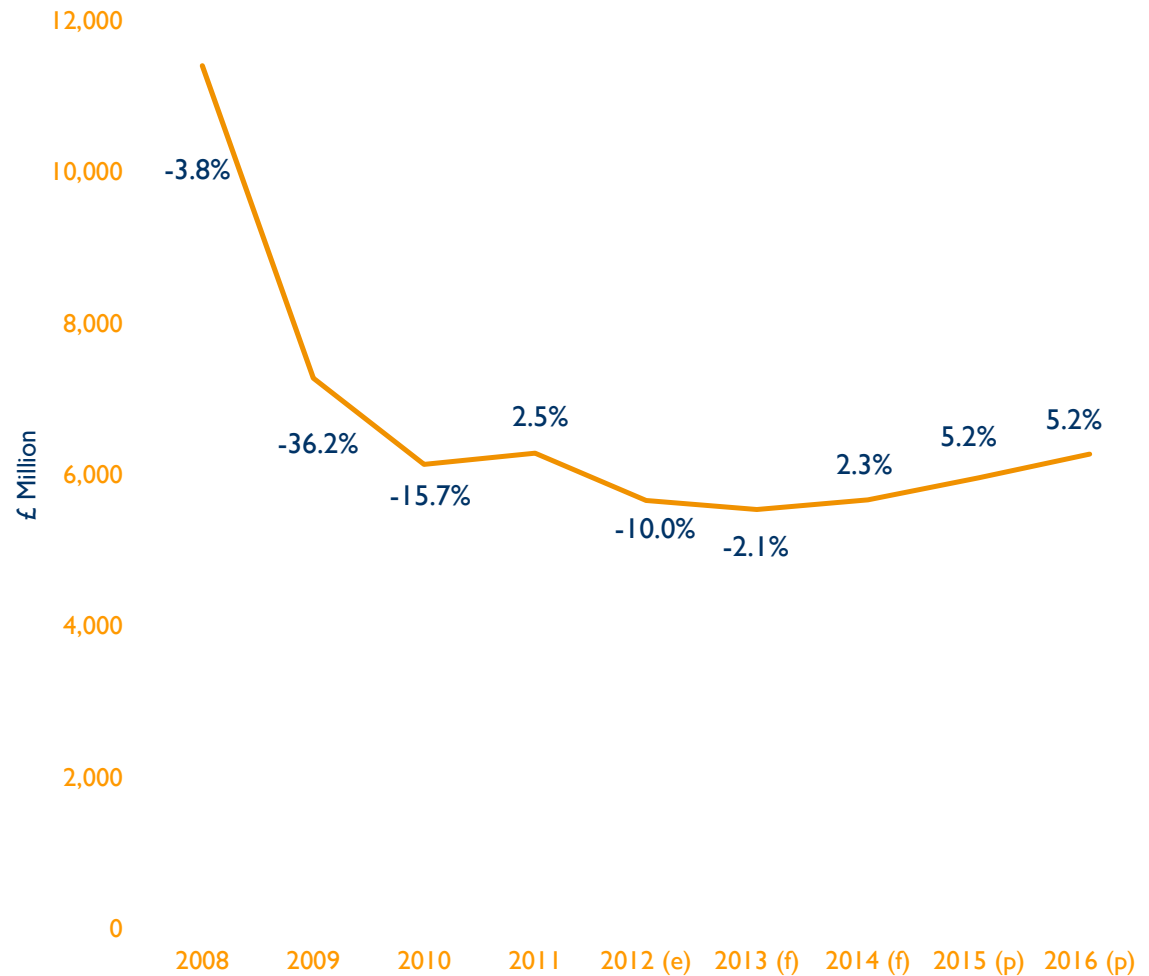
Health Falling Since 2008 from Historic High

- Capital Expenditure:
£4.5bn in 2010/11
£4.4bn in 2013/14
- Procure 21+
continues as per
Procure 21 but only
small projects
- Focus on essential
repairs & IT
spending



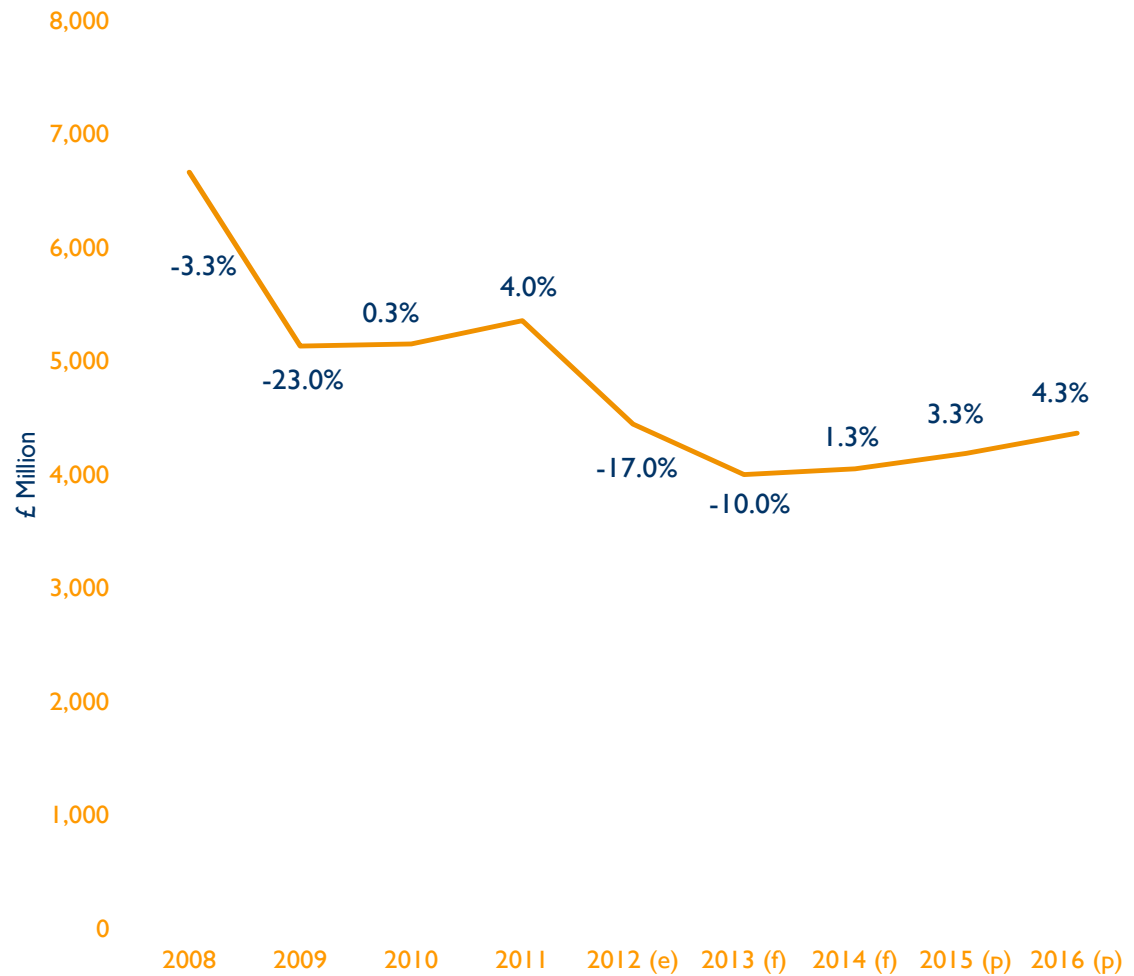
Offices – Slowing Growth London & None Elsewhere

- Two-tier market – London & South East
- Slowdown in London
- Some large projects in London
- Few new projects in the pipeline



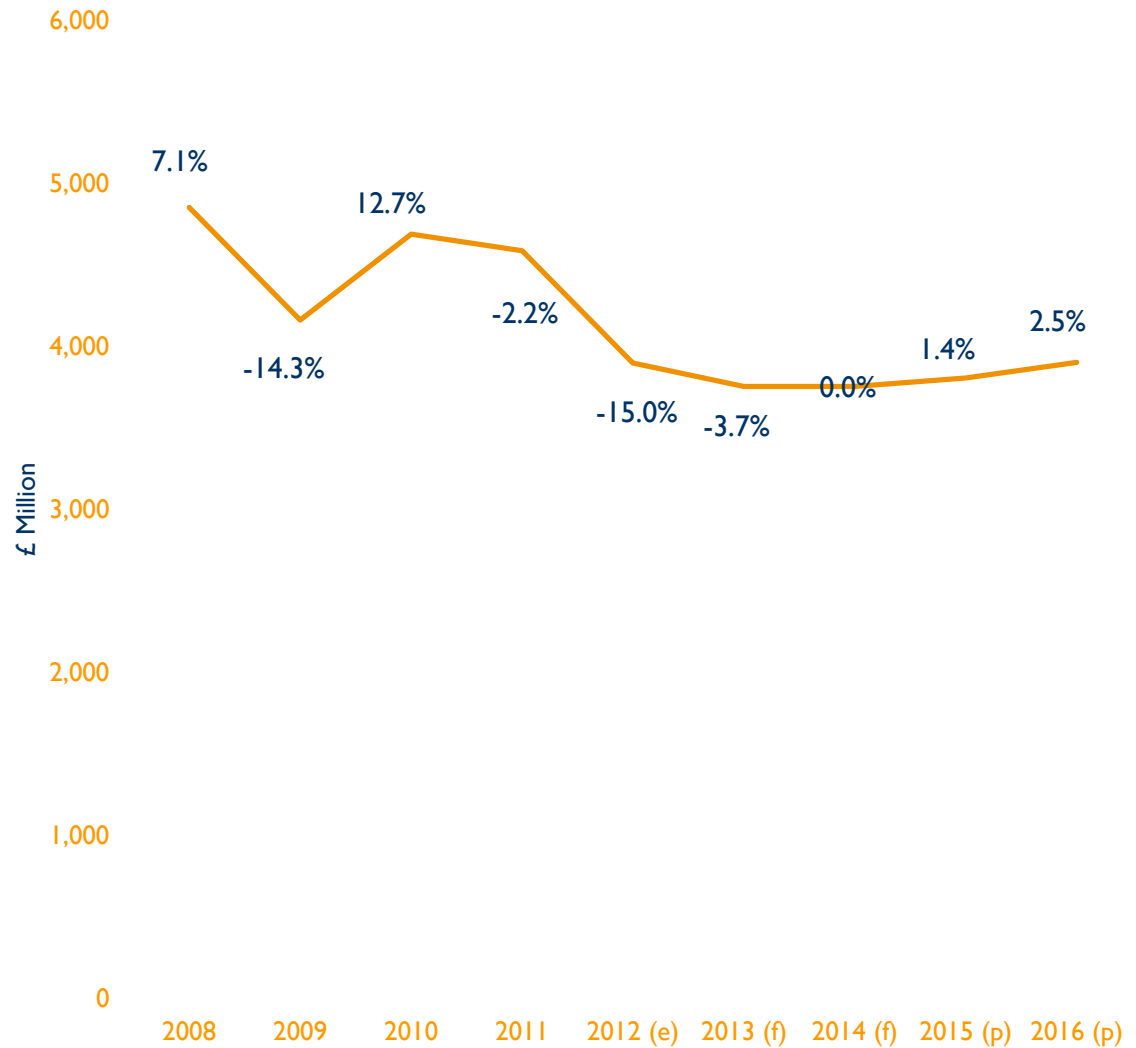
Retail – Supermarket work boosts output

- Supermarket expansion focusing on small urban units
- High-end retail
- Coffee & sandwich chains
- Little growth elsewhere
- Shift to internet sales



Entertainment

- Business sentiment and consumption
- Olympics-related work
- Commonwealth Games in Glasgow
- Major hotel chains





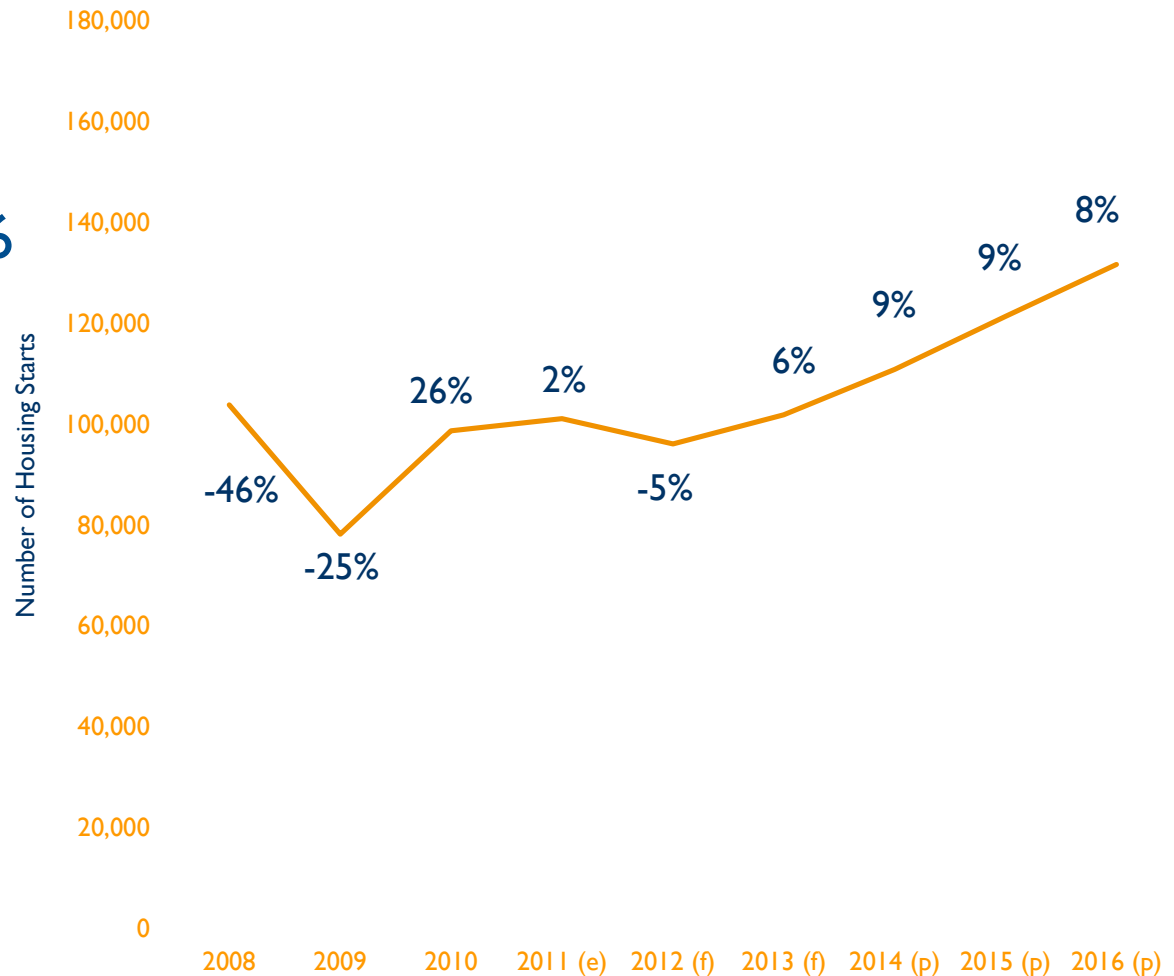
Opportunities in
the construction industry

Private Housing Forecast

- Fall in 2012, before growth through to 2016
- High % rises but no. of units still very low
- Two-tier market: Large housebuilders vs SMEs

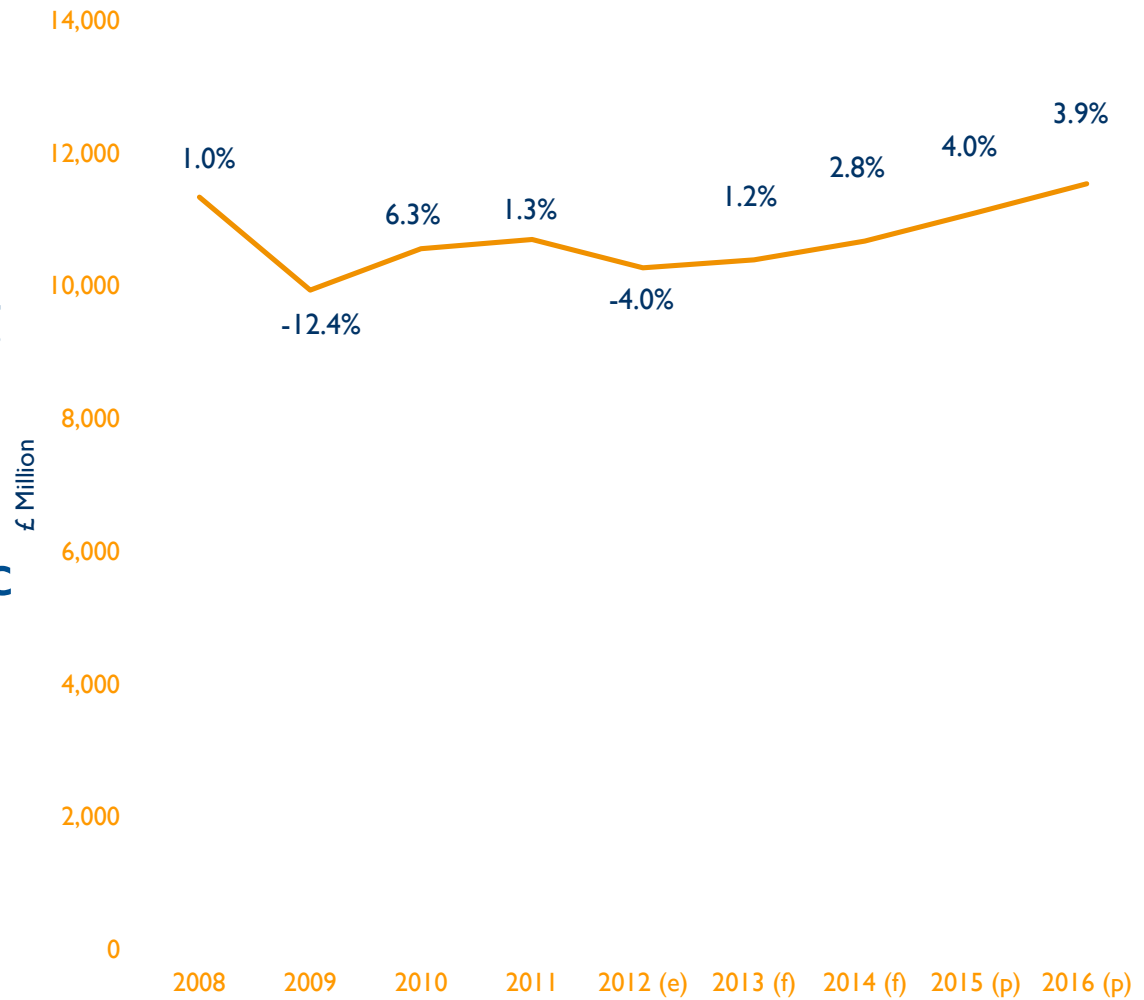
Concerns over:

- Government rhetoric
- Lending
- Consumer confidence



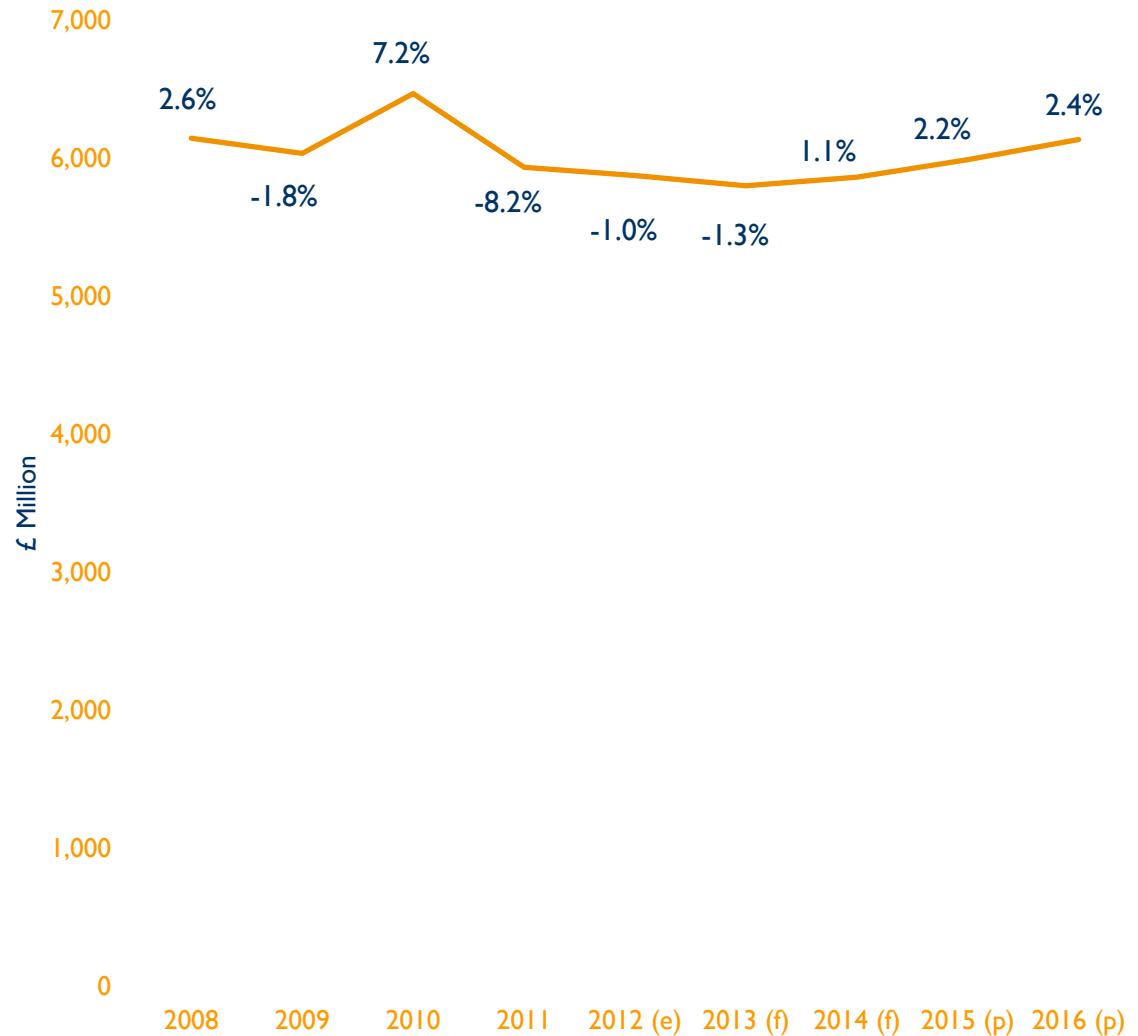
Private Housing RM&I Forecast

- Poor consumer confidence, spending and household income acting as a drag
- Beyond 2012 growth
- But is it due to economic recovery or Green Deal/ECO or both?



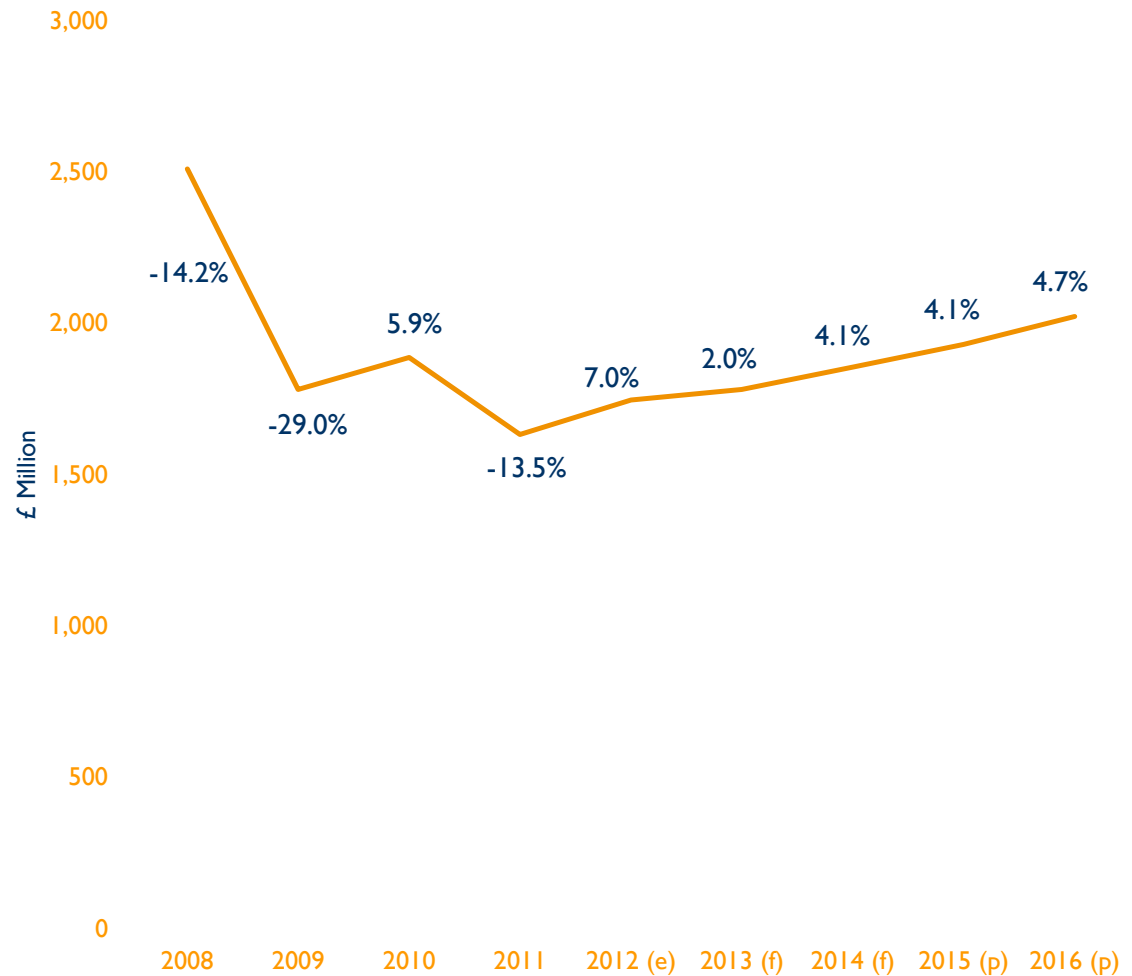
Public Housing RM&I Forecast

- DCLG spending cuts... but rises 2014 onwards
- Limit to how long you can delay basic repairs
- Little finance for decent homes work in England
- Green Deal likely to make more of an impact in social housing



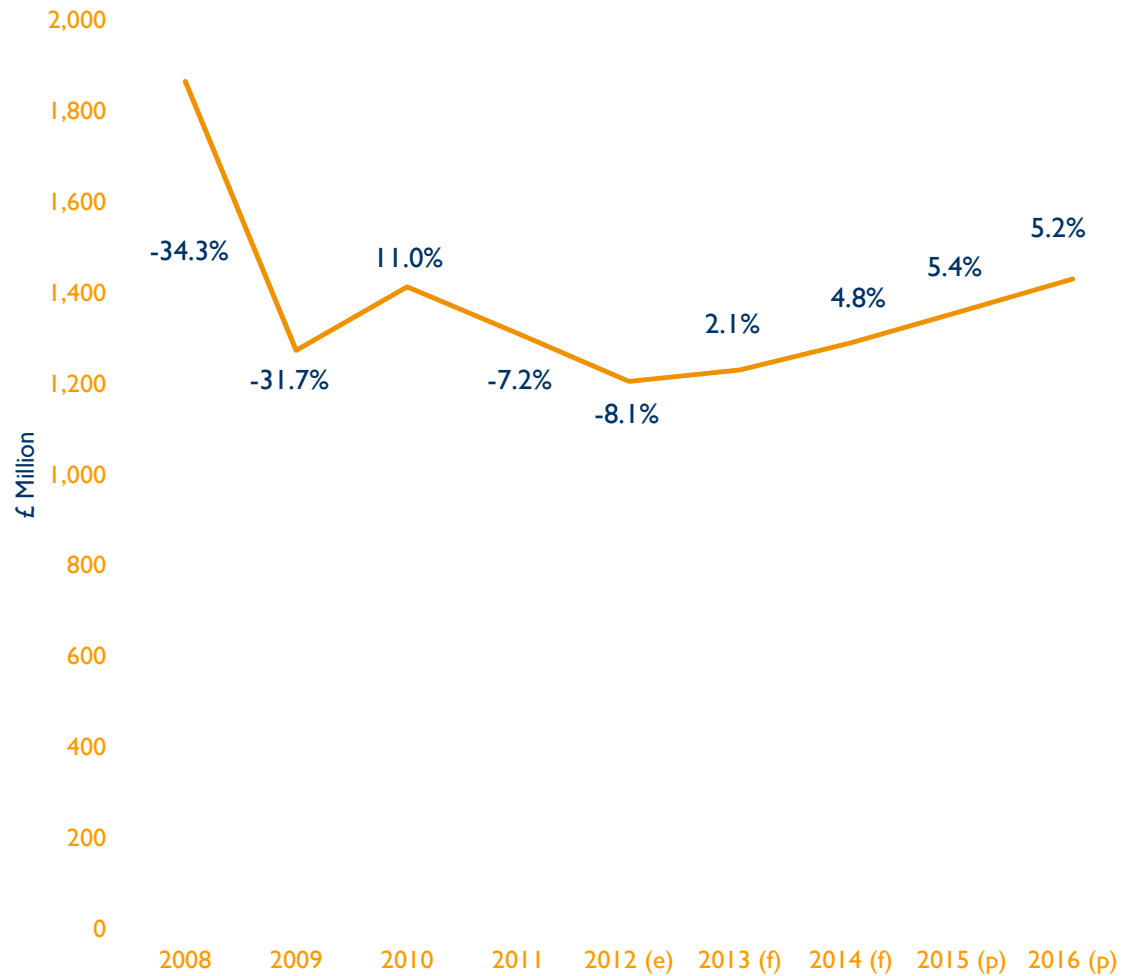
Industrial Factories Subdued Growth

- Slow recovery due to manufacturing & export markets
- Lack of domestic demand
- Key expansions by GlaxoSmithKlein & Jaguar



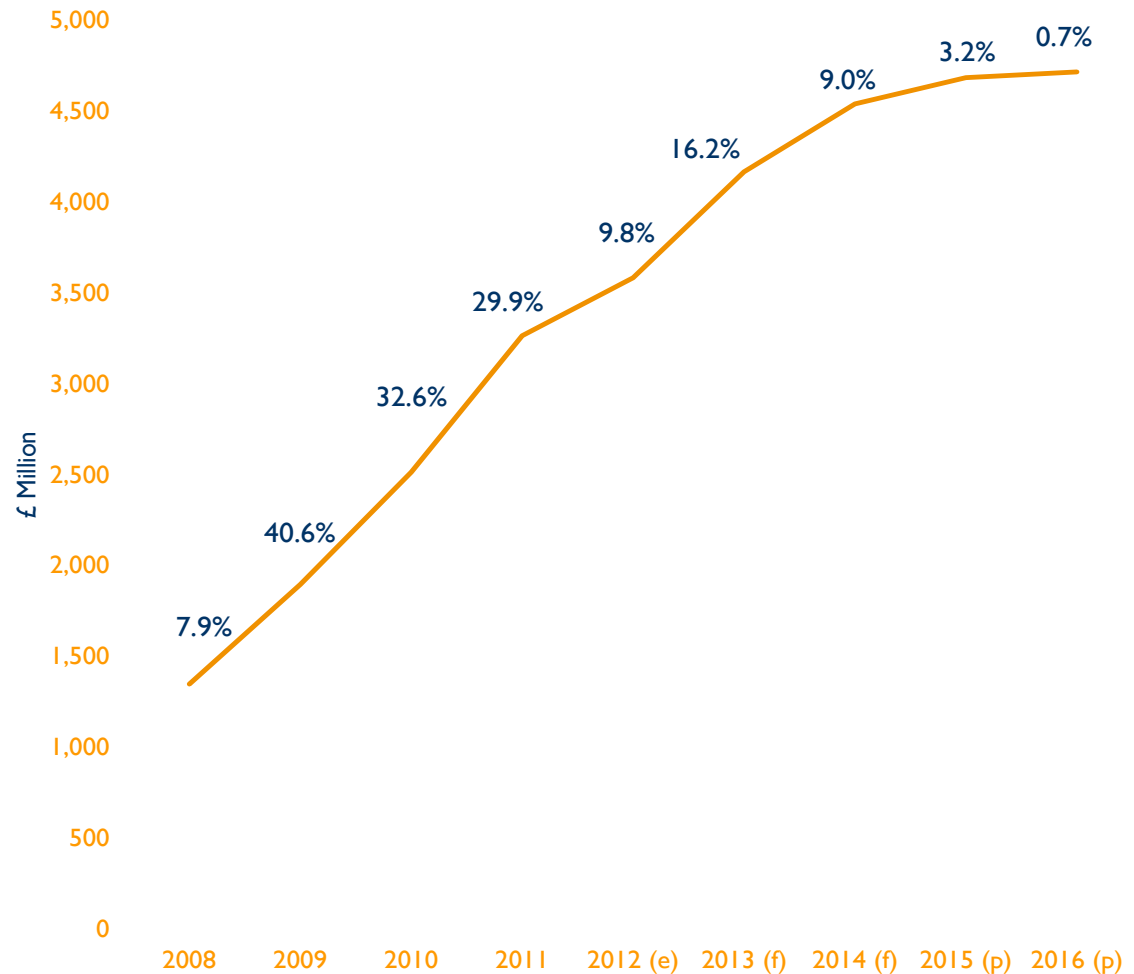
Industrial Warehouses Recovering

- Falling real incomes, consumer confidence and spending lead to fall
- Recovery in economy, consumer confidence, spending to drive growth medium-term
- Long-term boost from trend towards internet shopping



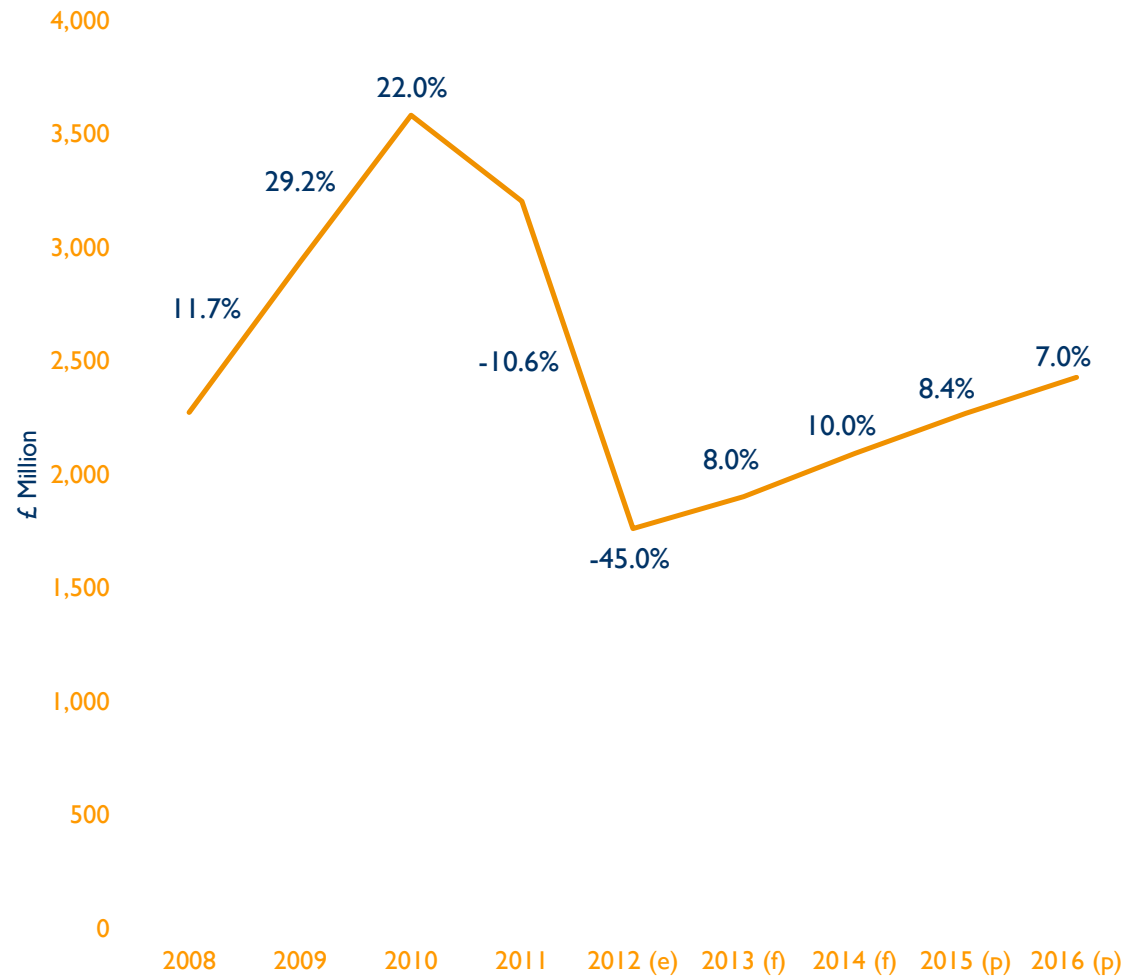
Rail Continues to Enjoy Growth

- Crossrail & Thameslink to drive growth
- Network Rail fixed spend till 2014 under CP4
- Public subsidy will fall after 2014 but Network Rail total spending to rise under CP5



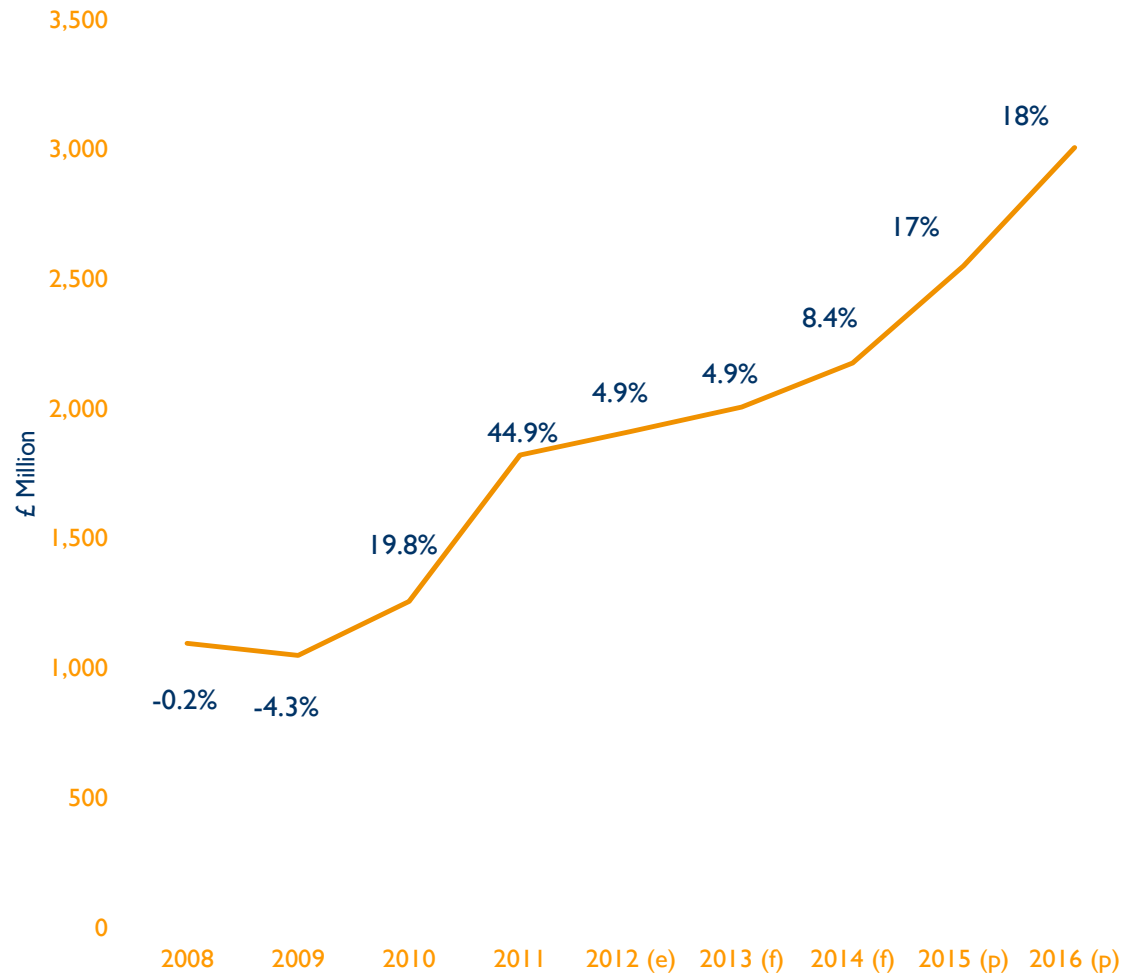
Recovery in Roads

- Local Authorities highly constrained on roads spending
- Highways Agency enduring 44% fall in capital spending
- BUT
- Autumn Statement – roads is the key sector to benefit



Energy Also Enjoying Growth

- Near-term work - decommissioning & prelims at Hinkley.
- Main works on new nuclear Hinkley, Wyfla & Sizewell subject to delay once again
- Renewables, wind farms, offshore connections



Key Risks to Construction

- Autumn Statement – £5.5bn capital investment ‘boost’
- The Green Deal
- Further delays in nuclear?
- Private investment in construction
- Euro zone uncertainty



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