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Public Spending Limits Sharp Downturn in Construction

The latest ONS figures for construction output highlight the critical importance of public spending to the industry. Although total construction output rose 2% during the third quarter of 2009 compared to the previous quarter, this was primarily due to growth in public spending offsetting the continuing sharp falls in private sector construction. Taking the first nine months of 2009 as a whole, construction output is 12% lower than the same period in 2008.

Commenting on the figures, Noble Francis, Economics Director of the Construction Products Association said: "These latest output figures illustrate that given the dramatic fall in private sector work, it is more important than ever that government maintains its capital investment programme in housing provision, transport, education and health facilities to provide better infrastructure and ensure a skilled workforce for economic recovery.

In addition, the recent independent study by LEK Consulting highlights the benefits of investment in construction to the UK economy, with every £1 spent on construction generating £2.84 in economic activity. We hope that the Chancellor recognises this and highlights the importance of capital investment in construction in next week's Pre-budget Report."

The main growth in public capital spending was:

- Public housing where output was 14% higher in Q3 than in the previous quarter
- Work on schools, hospitals and the Olympics, which was 7% higher than in Q2 and 31% higher than in Q3 of 2008
- Work on the railway network which was 14% higher than a year ago, whilst construction output on roads was 19% higher

In contrast, private sector construction activity continued to fall sharply:

- Output on industrial projects fell 35% compared with the third quarter of last year
- Commercial activity (offices and retail) fell 29% over the same period
- Output on private housing was still 12% lower than the previous quarter, although there are now signs of a slow recovery in this sector.

Reflecting on the prospects going forward, Francis said;

‘With continued falls in the new orders figures across the private sector any recovery in the construction industry over the next 12 months depends critically on the government sustaining its current spending plans, and this will be a key part of the discussions we have with all the political parties in the run up to next year’s Election.’

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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 £40 billion and accounts for 40% of total construction output.

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