

## **Market Overview: March 2017**

### **2017 Spring Budget – no new major announcements for construction**

The CPA, in response to the budget, say anyone seeking major announcements are likely to be disappointed, going on to say there were only a handful of announcements relevant to construction. Many of these were carried over from the previous autumn budget, including a £220 million fund to identify 'pinchpoints' in transport infrastructure. UK Construction Media's summary of the spring budget also says, for the construction industry, there were no headline grabbing moments. They touch on the extra £500M a year investment in training young people, to help combat the skills gap in construction. Summarising the budget announcements as funding for new schools, measures to tackle the skills shortage, further investment to tackle congestion on England's road network and to support the transition to a digital economy. Builder & Engineer also say the new training in the form of T Levels and building new schools are the main talking points in the budget announcement, providing responses from leading figures in construction.

Following the budget, The Office for Budget Responsibility has published their Economic and Fiscal outlook for 2017, including their full forecasts for the UK Economy.

The ONS have released their Construction Output in Great Britain: January 2017 and new orders October to December 2016. Figures show that construction output fell by 0.4% in January 2017 compared to December 2016, however output grew by 1.8% on a 3 month on 3 month basis. New orders fell by 2.8% in Q4 2016, driven mainly by falls in private industrial and private commercial work. Yet despite new orders falling in Quarter 4 of 2016, the annual volume of new orders is now at its highest level since 2008.

The Markit/CIPS UK Construction PMI February 2017 report shows a modest rise in construction activity growth from January 2017. The Index registered 52.5 in February 2017, a slight increase from 52.2 in January 2017, underpinned by an upturn in civil engineering activity. Complementing this, the latest Economic & Construction Market Review from Barbour ABI, shows all construction activity increased in January 2017 as new contracts awarded increased by 11.3% compared to December 2017. Yet the Glenigan Index February 2017 shows the value of work starting on site in the three months to February was 1% lower than during the same period a year ago, 3% lower than during September to November 2016.

Latest figures from Eurostat show that output in the construction sector across the Eurozone fell by 0.2% in December 2016 compared to November 2016, and grew by 0.6% across the EU28, which includes a 2.2% rise in the UK.

The NHBC have released their latest home registration statistics for January 2017 showing that, 11,651 new homes were registered in January, an increase of 14% from 10,248 when compared to 12 months ago. Yet new research from Shelter and YouGov shows that new homes are out of reach for 83% of working families who are privately renting, concluding that the current system of housebuilding in England is failing them, by producing highly-priced, poor-quality homes.

The Halifax House Price Index reports in February 2017 house prices increased by 0.1% compared to January, yet the annual house price growth rate has declined to 5.1%, from 5.7% in January, the lowest since July 2013. The Nationwide House

Price Index report shows that in February 2017 house prices were 0.6% higher than January and in contrast to Halifax show annual house price growth increasing to 4.5%, from 4.3% in January.

Bovis Homes have released their financial results for the year ended 31st December 2016, showing that pre-tax profit has fallen by 3% to £154.7m, this is after a difficult year for the Group following a period of ambitious growth. Persimmon say that they delivered a strong performance in 2016 supported by good levels of consumer confidence and strong support from a disciplined mortgage market.

In other construction disciplines Carillion have released their financial results, stating that their financial performance is in line with expectations for 2016, following a total revenue growth of 14% up to £5,214m. And Costain also announce a strong performance for 2016, with significant increases in both revenue and underlying operating profit, influenced by a customer focused strategy delivering a high quality order book.



Joining [Competitive Advantage Consultancy](#) in 2012 as a graduate in economics from Kingston University, Michael's role as Research Manager involves data analysis, business and market forecasting, researching and writing reports. Since joining, he has developed online information gathering options. He is also responsible for maintaining personalised client forecasting models.