

Construction Industry Barometer

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Prepared by Leading Edge Management Consultancy in association with
Chartered Institute of Marketing's Construction Industry Group (CIMCIG)
Construction News



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1. Introduction

- The Construction Industry Barometer is produced by Leading Edge Management Consultancy in conjunction with the Chartered Institute of Marketing's Construction Industry Group (CIMCIG) and Construction News.
- The barometer has been running on a regular basis since 2008. It is completed by senior directors and managers working for companies across the construction industry supply chain.
- The aim of the barometer is to provide insights into how the construction industry is performing in terms of sales and market conditions and to find out what is happening to marketing budgets and recruitment.
- Background to the authors
 - Leading Edge - specialise in market research, analysis, forecasting & marketing strategy in the construction and building products industries. www.lead-edge.co.uk
 - CIMCIG - work to raise the status of the marketing profession within the construction industry. www.cimcig.org
 - Construction News – provide construction industry news and insights. www.cnplus.co.uk
- To find out more about the barometer please contact Mel Budd or Rachel Smith at Leading Edge:
mel.budd@lead-edge.co.uk rachel.smith@lead-edge.co.uk Tel: 01252 279990.

2. Executive summary

Conclusions from research

Sales Performance and Market Outlook

- The sales comparison index, which shows the average % change in sales in the past 6 months compared to the same period the previous year, declined from 4.3% in April 2017 to 2.8% in April 2018. 57% of companies improved their sales compared to the same period last year.
- The sales outlook index for the next 6 months also decreased from a year ago, with 44% of companies confident about their sales performance over the next 6 months, compare to 56% in April 2017.
- The outlook for housing, both new and R&M, has improved since the last survey, while the outlook for non-housing, both new and R&M, has declined.
- London and Scotland are the only regions where market performance expectations have improved since the last survey while the outlook for all other regions has declined.

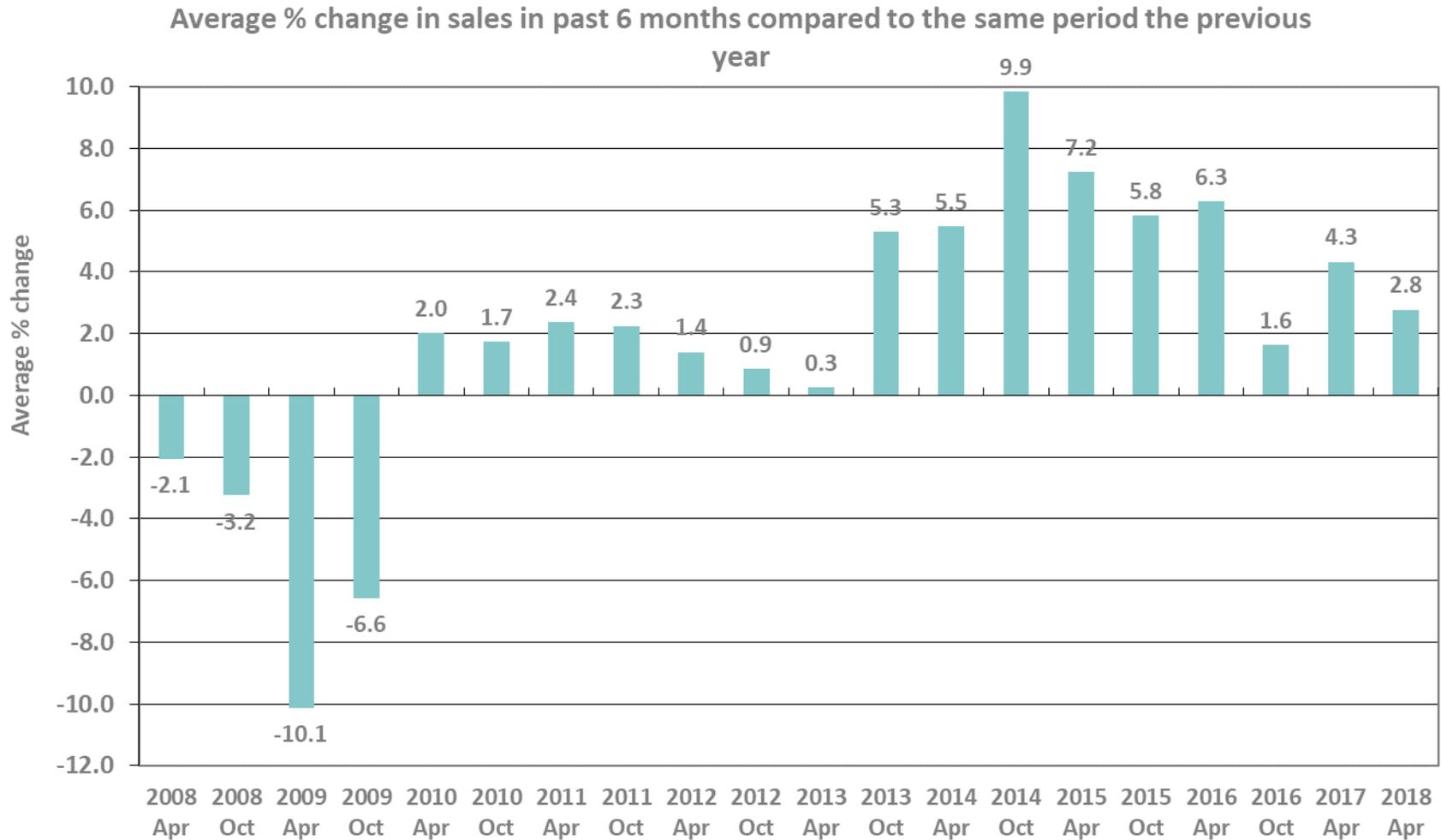
Marketing Focus and Strategic Outlook

- The marketing outlook over the next 12 months has seen a slight improvement compared to April 2017:
 - 42% of companies are set to grow their marketing spend, while 19% are expecting a decline. The average increase in marketing spend over the next 12 months has increased to 1.6%.
 - Expectations for marketing headcount remain positive with 34% expecting to see an increase.
- Brexit continues to cause uncertainty in the market and is impacting on materials costs, due to exchange rates, and on labour availability.
- When asked which barriers would prevent them from winning work over the next 12 months, 73% of companies said it would be due to 'aggressive pricing from competitors'.

3. Key findings

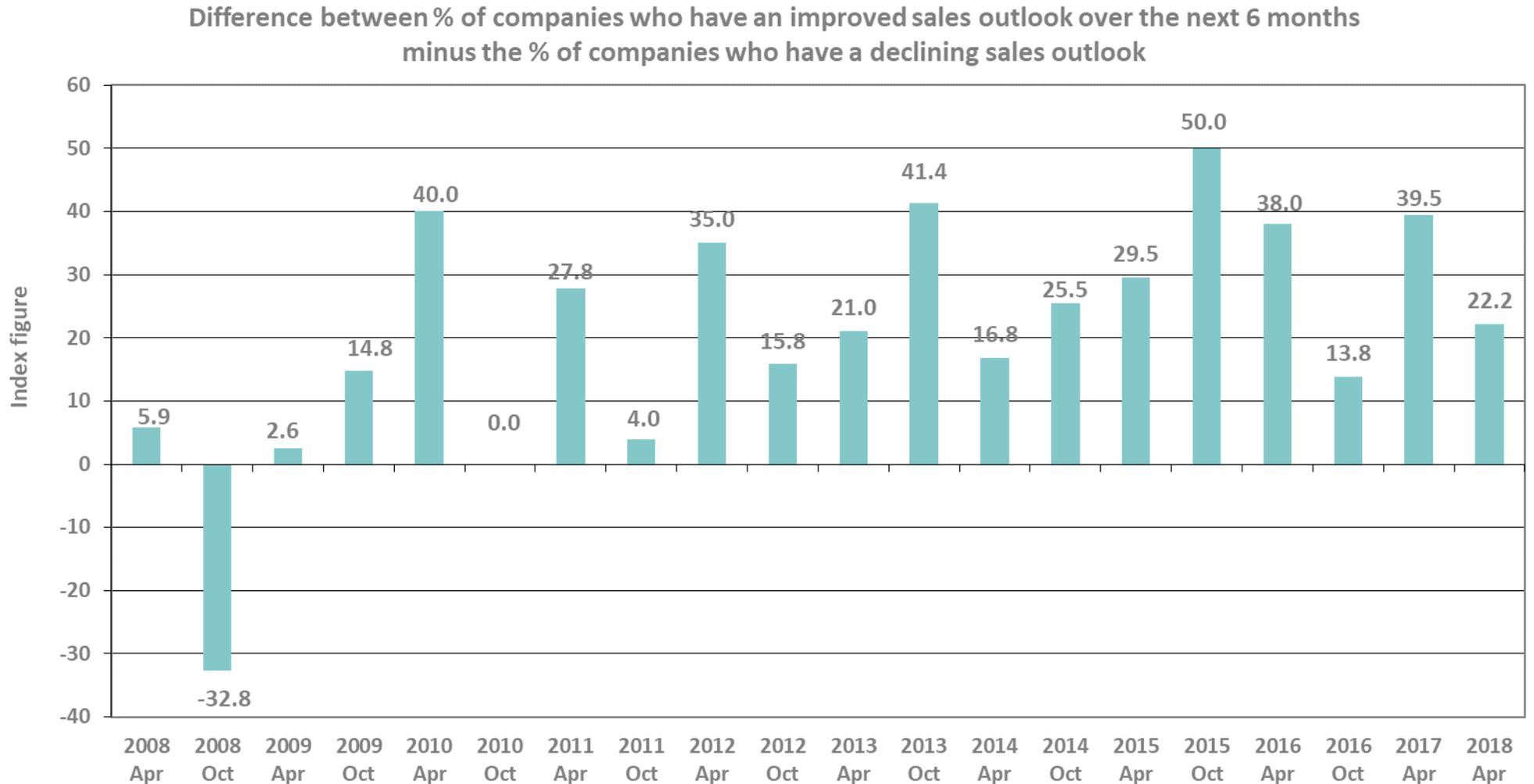
Sales Comparison for Past 6 Months

The average sales increase in the past 6 months was 2.8%, a decrease on the improvement seen in April 2017 but higher than the low of October 2016.



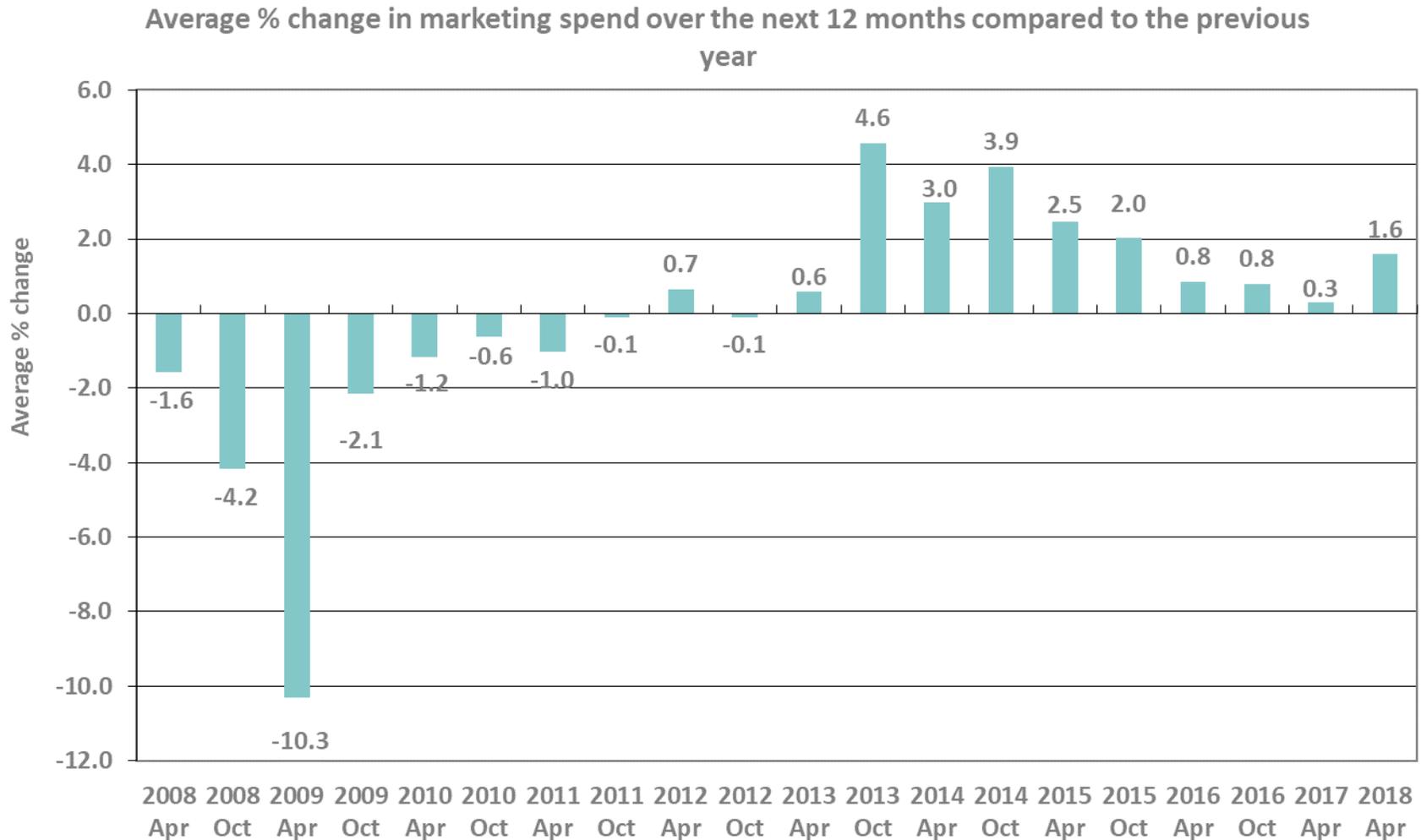
Sales Outlook for Next 6 Months

The index has declined from April 2017 but remains positive.



Marketing Spend Outlook for Next 12 Months

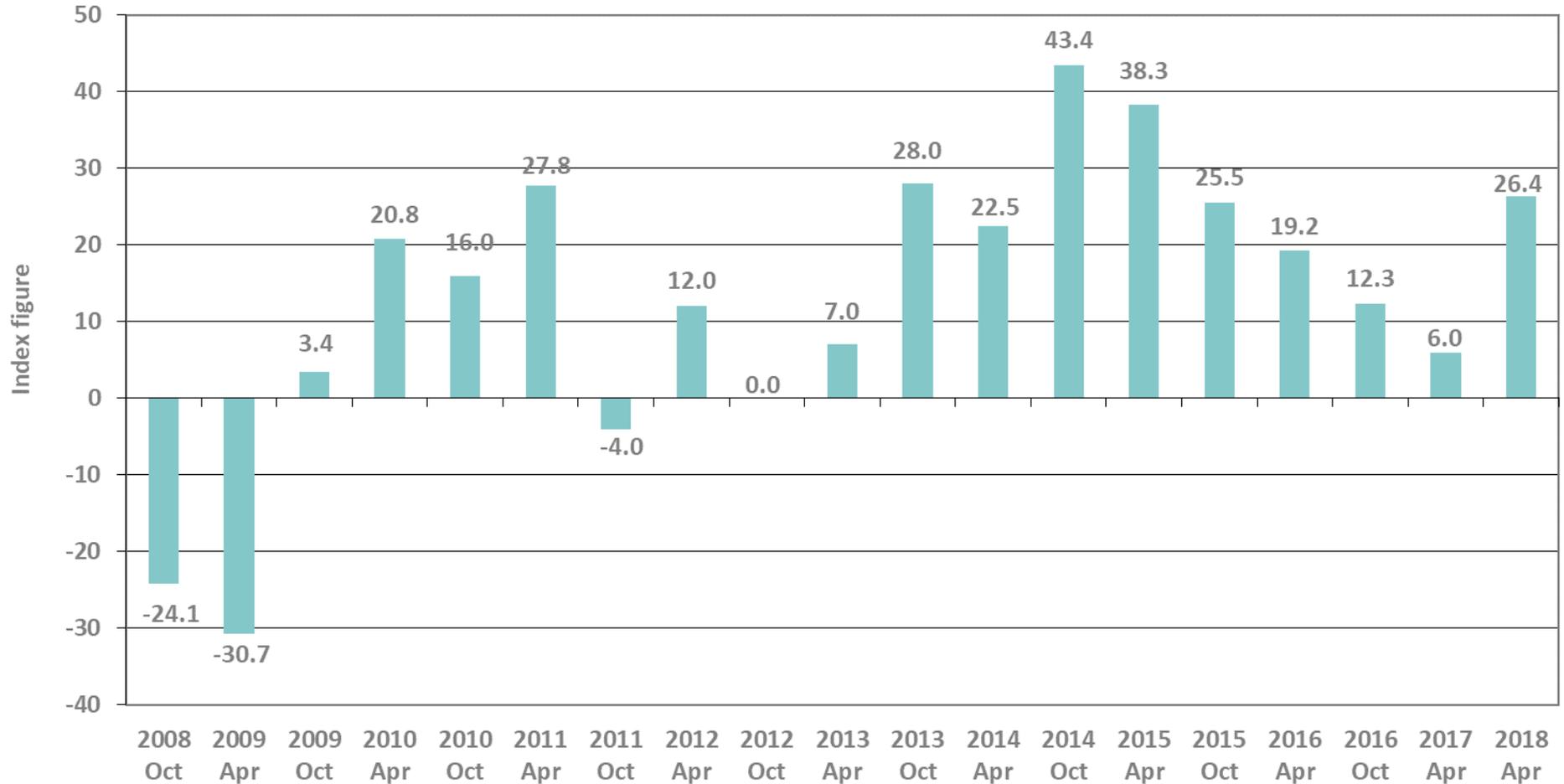
The average % change in marketing spend has improved since April 2017, returning closer to the levels seen in 2015.



Marketing Headcount Outlook Index for Next 12 Months

Marketing headcount expectation has increased significantly since last year.

The difference between the % of companies who are looking to increase their marketing headcount over the next 12 months, minus the % who are reducing

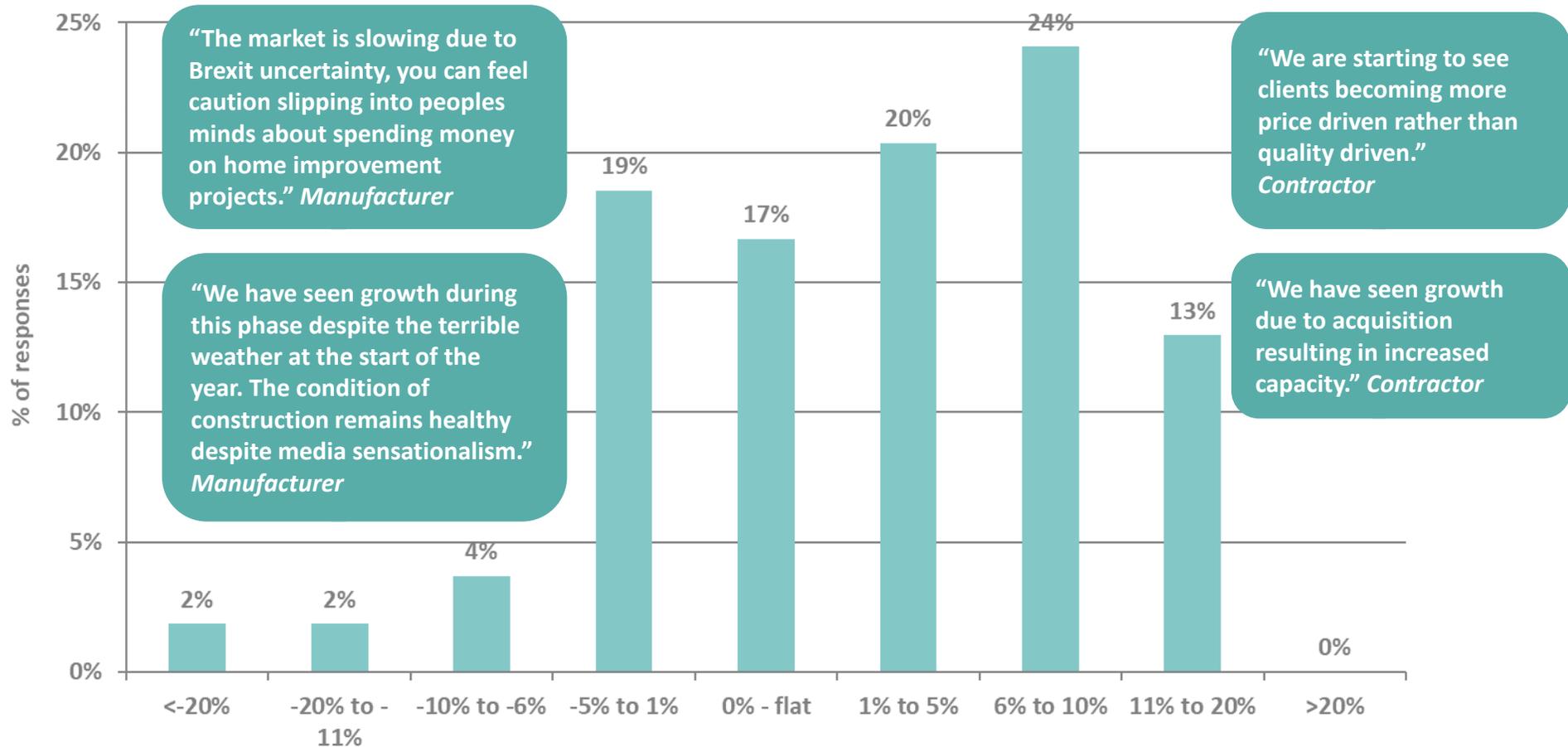


4. Detailed findings

Sales Volume Over Past 6 Months

57% of companies improved their sales in the past 6 months, compared with the same period the previous year. This was lower than the last period (75%).

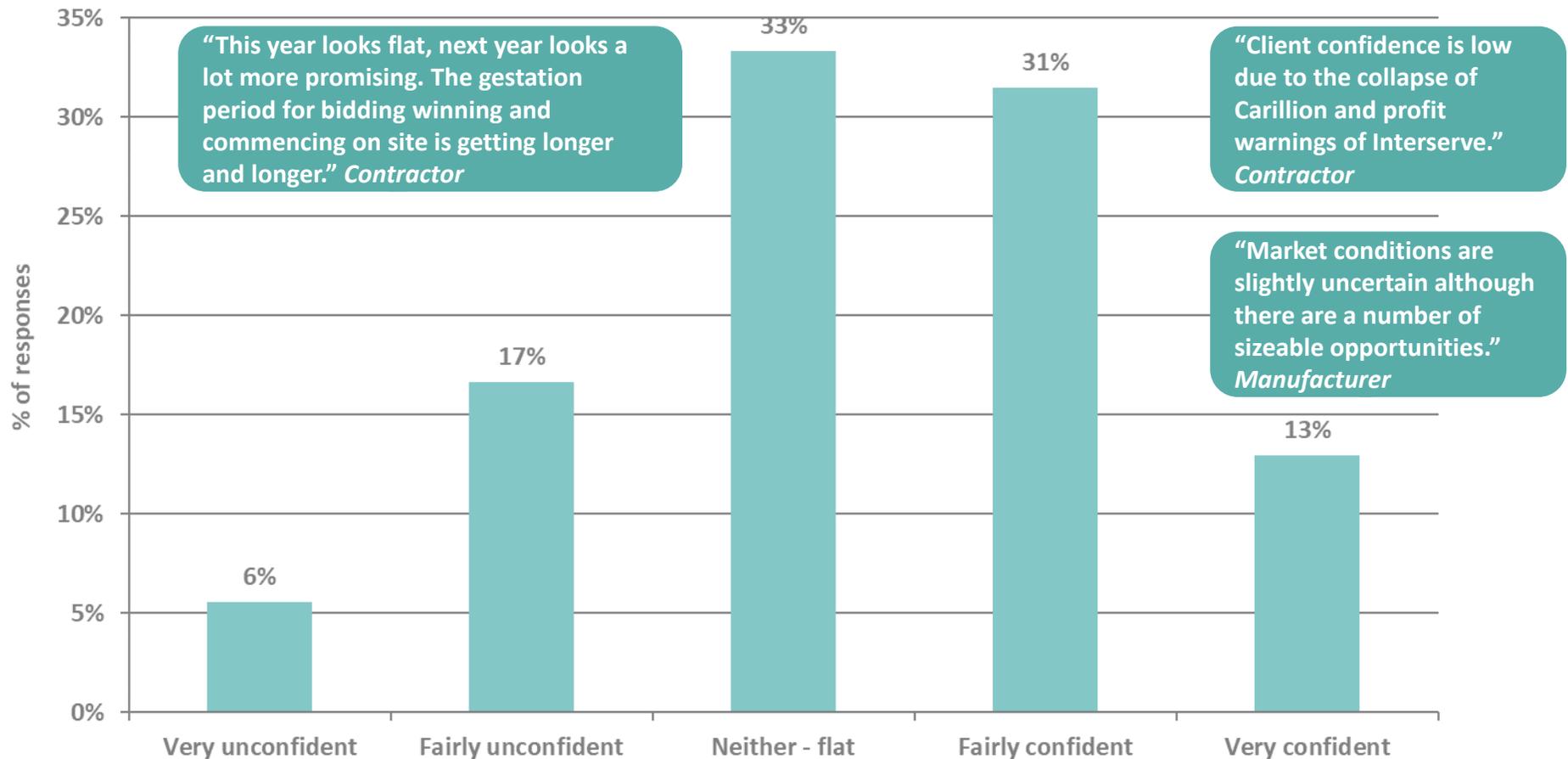
How has your company's overall sales volume changed over the past 6 months (October 2017 - March 2018) compared with the same period last year?



6 – 12 Month Outlook

44% of companies are positive about their sales performance for the next 6 months, down from 56% in the last survey.

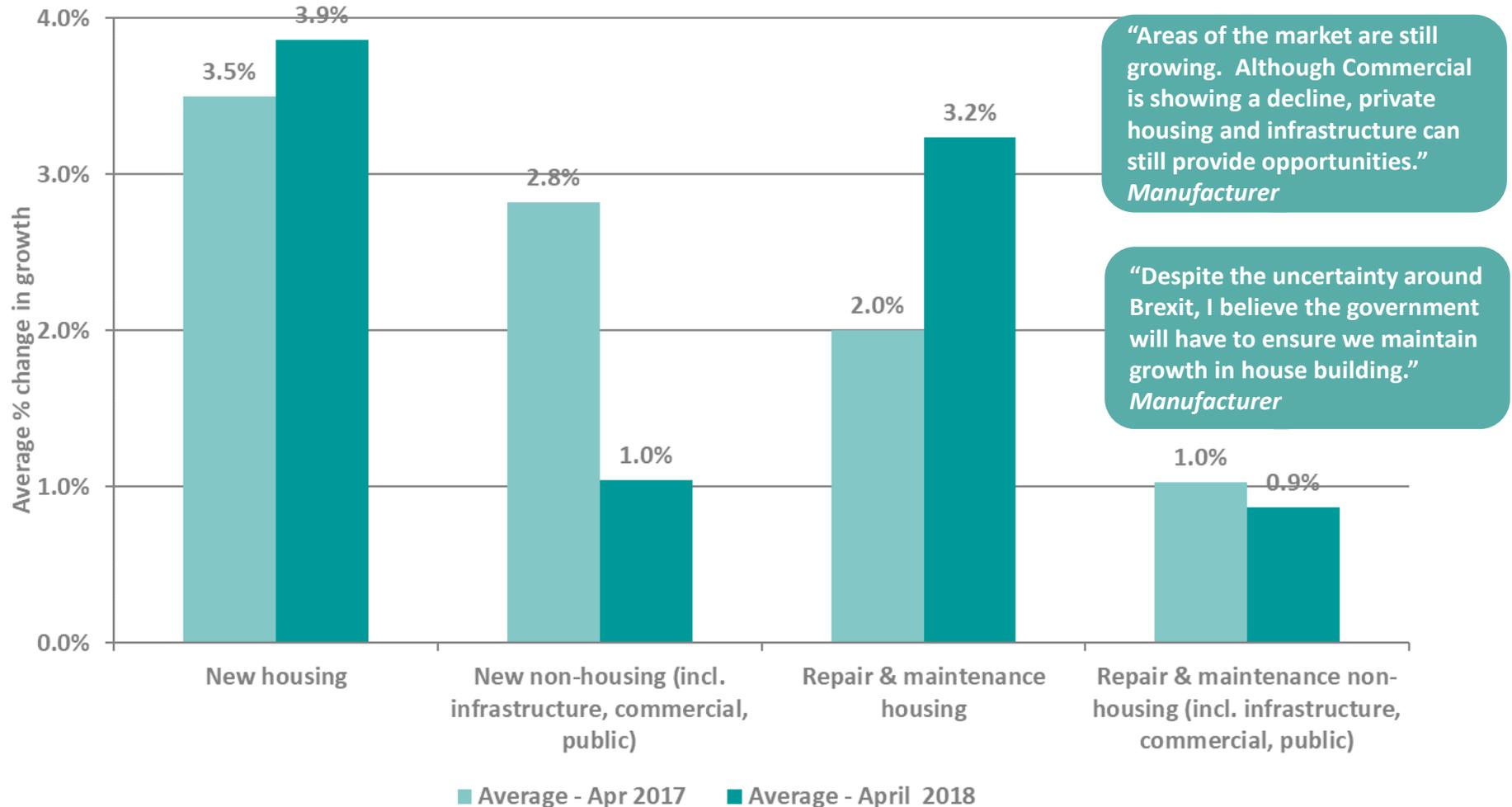
How confident are you that your overall sales performance will show signs of growth over the next 6 months?



Forecast Sector Impact

The outlook for housing has improved since the last survey, while the outlook for non-housing, both new and R&M has declined.

In terms of activity, what do you estimate will happen to your core markets over the next 6 months, when compared to the previous 6 months?



The figures shown represent the average % change of all the responses received for each sector.

Forecast Regional Impact

Outlook has improved In London and Scotland while it has declined in all other regions.

In terms of sales, what do you estimate to happen to the regions in which you operate over the next 6 months, compared to the previous 6 months?



"We anticipate growth in the West Midlands, however this being balanced against decline in the East Midlands" Contractor

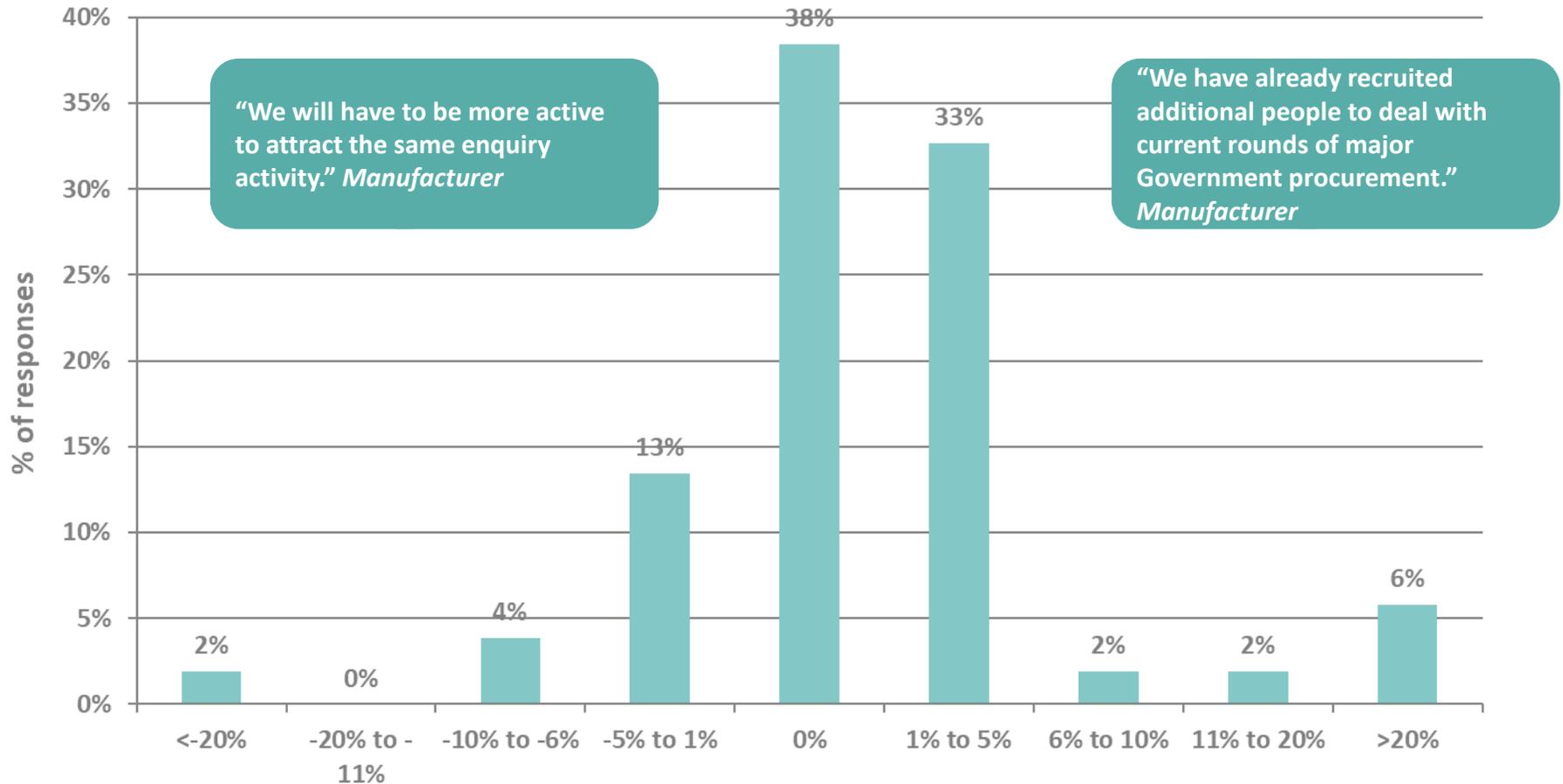
The figures shown represent the average % change of all the responses received for each sector.

■ Average - Apr 2017 ■ Average - Apr 2018
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Marketing Spend Outlook

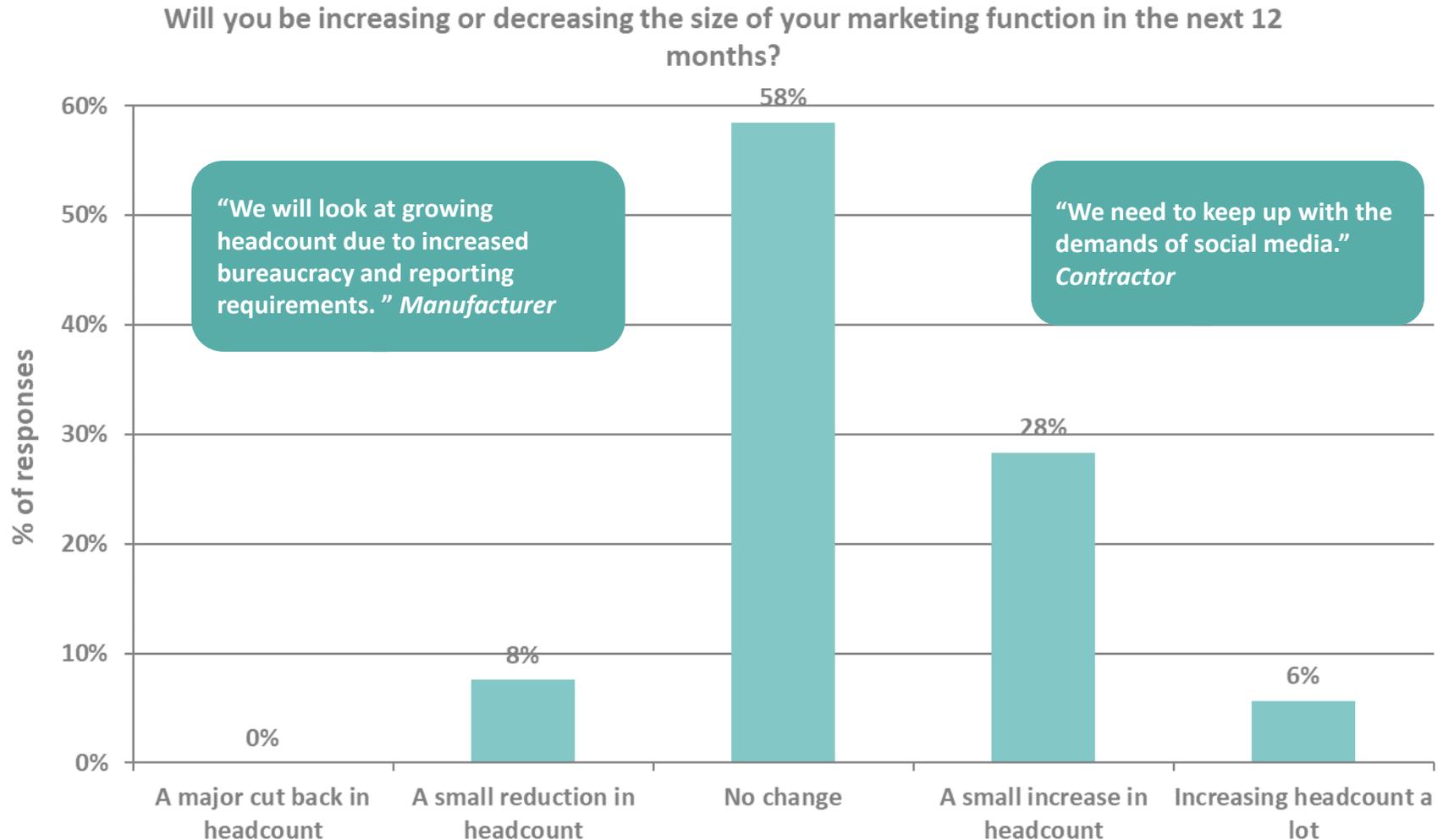
42% of companies are looking to grow their marketing spend over the next 12 months, a similar result to that seen a year ago.

What do you predict will happen to your marketing spend for the next 12 months, compared to the previous year?



Marketing Headcount Outlook

34% of companies are expecting to make increases in their marketing headcount, an increase on the 20% expected a year ago.



Brexit

Uncertainty, labour availability and labour costs along with exchange rates and increasing materials costs continue to be the main impacts of Brexit on the construction market.

“Brexit initially caused mass confusion and loss of momentum, it also caused massive blockages for foreign investment but this has all settled down and provided we continue to work in the best interests of business and the country then there should be no reason that this would change. However, mass media plays a massive part in this and sadly the need for a good story far outweighs the need for balanced journalism ending in sensationalist views and extreme reactions. Let’s hope businesses can remain level headed and deliver sensible reactions to the conditions of the time.” *Manufacturer*

“It is undoubtedly having some effect. Had we not been leaving the EU then it is not unreasonable to assume all sectors would be showing reasonable growth of between 1-3% and the overall economy being stronger. Although last year construction had a surprisingly large growth %, by the end of the year it was clear a slow down was starting to happen and this effect trickled through to our business. Some projects have been scaled back, delayed or postponed, but there still appears to be plenty of activity and the pipelines look OK. So although there is certainly a small negative impact, things could be a lot worse!” *Manufacturer*

“Brexit is causing a delay in decision making leading to start date of projects being pushed back until more details become available. Issues with employment as individuals affected are considering or have already moved back to mainland Europe.” *Manufacturer*

“There has been no impact as yet. Although lack of clarity in Government policy is impacting timescales, especially on energy. Brexit is likely to be causing delays due to resources aimed at Brexit.” *Consultant*

“Decision making has slowed since Brexit and therefore we are seeing delays in contract awards.” *Manufacturer*

“Brexit is creating some uncertainty and it is taking longer for decisions to be made.” *Manufacturer*

Brexit (ctd)

Uncertainty, labour availability and labour costs along with exchange rates and increasing materials costs continue to be the main impacts of Brexit on the construction market.

“Brexit is slowing decisions and promoting non European investment.” *Manufacturer*

“One word, UNCERTAINTY. It is very disappointing that politicians are still politicking instead of moving forward to Brexit in a cohesive manner. They are harming our prospects, it's borderline treason.” *Manufacturer*

“Timing wise, this year for delivery of projects is slower and quieter than previous or future years - we suspect that this represents a slow down in bidding activity and investment decisions that occurred straight after the Brexit decision.” *Contractor*

“There is no impact on volume but there are issues with inflation around exchange rates.” *Manufacturer*

“There is a slowdown in commercial building due to a lack of investor confidence. Housing is still going well.” *Manufacturer*

“Cost inflation on imports and increased fuel costs on the devalued pound.” *Manufacturer*

“Brexit is raising the costs of componentry. There are difficulties in recruiting drivers and factory workers and uncertainty from consumers on spending. There is a lack of investment from central Europe.” *Manufacturer*

“The only impact is a slight hesitancy to place orders by certain sectors that are playing wait and see.” *Manufacturer*

“The impact will be from the volatility of the pound and euro exchange rates.” *Manufacturer*

“Labour shortages are being compounded as many Eastern Europeans are very unsure of their futures.” *Contractor*

Brexit (ctd)

Uncertainty, labour availability and labour costs along with exchange rates and increasing materials costs continue to be the main impacts of Brexit on the construction market.

“There is continued uncertainty which is impacting investment decisions.” *Manufacturer*

“Brexit is impacting the cost of raw materials and components from overseas.” *Manufacturer*

“There has been no impact yet but concerned that it will slow the market through lack of confidence.” *Manufacturer*

“Negative talk and the lack of decisive action creates poor sentiment across the marketplace. This results in project holdback and a fall in orders. Positive talk and action for leaving sees an almost immediate surge in business and orders. We expect any transition period that extends the uncertainty surrounding the UK leaving the EU cleanly to lead to an extension of this phenomena with continuing ups and downs in the market place.” *Manufacturer*

“Brexit has led to higher raw material costs. Uncertainty of investment is leading to suppressed demand. Uncertainty of legislative environment is leading to concerns about whether EU approvals will be valid in the UK post Brexit.” *Manufacturer*

“There is a lack of confidence and so reduced planning and investment. There is a reduced European workforce with skills as they view other countries as better opportunities. We are seeing a huge increase in imported products (many of which are not manufactured in the UK). Lots of businesses and individuals are waiting until after Brexit to spend.” *Manufacturer*

“General uncertainty from the customers perspective. Labour costs are rising because of a reduction in available resources.” *Contractor*

“It's hard to say but I believe that some decisions within the industry as a whole are procrastinated rather than at the usual speed.” *Manufacturer*

Barriers to Winning Work

'Aggressive pricing from competitors' continues to be the main barrier to winning new work over the next 12 months.

What barriers are your company likely to face when trying to win work over the next 12 months?



5. Sample size & methodology

Respondent profile

The survey achieved a mix of respondents (56) from across the construction supply chain.

Respondent Type	%
Manufacturer	52%
Contractor	29%
Distributor	2%
Consultant, Investor, Trade Association, Architect, Consulting Engineer	17%
Total	100%

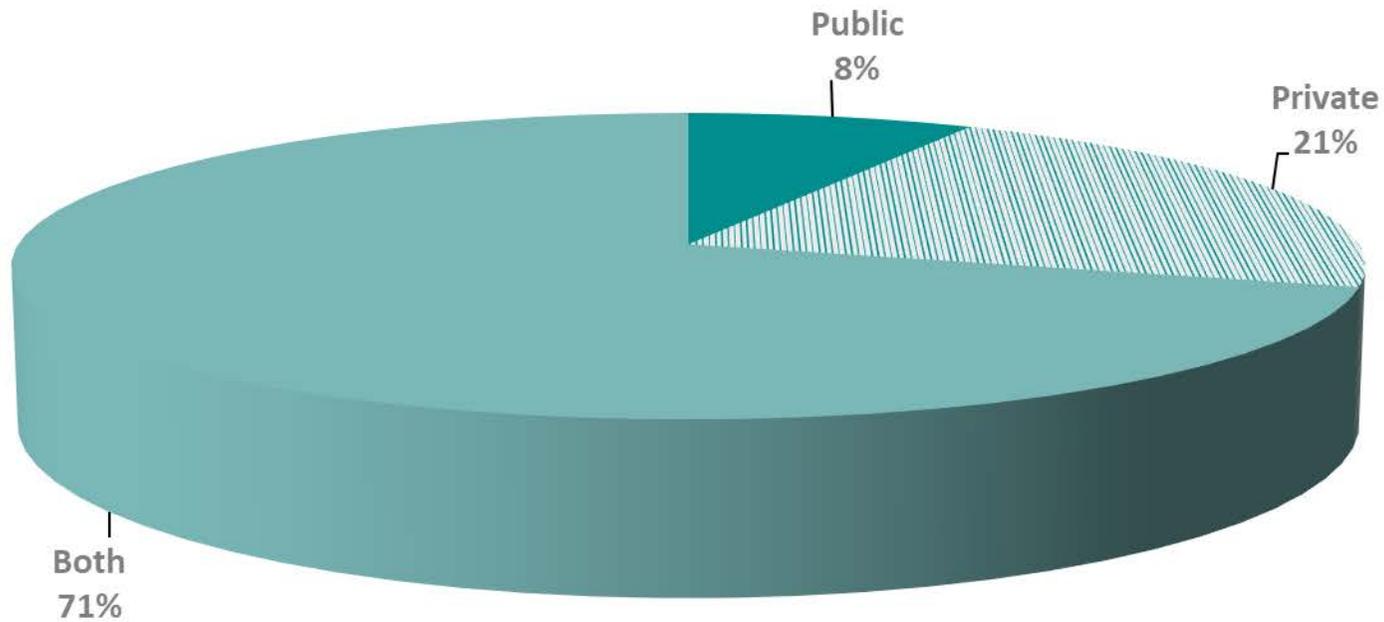
The data was collected through an on-line survey during April 2018.

The majority of respondents are senior directors, marketers, product managers or involved with business development.

Public & Private Sector mix

71% of the companies represented in the survey are active in both the public and private sectors.

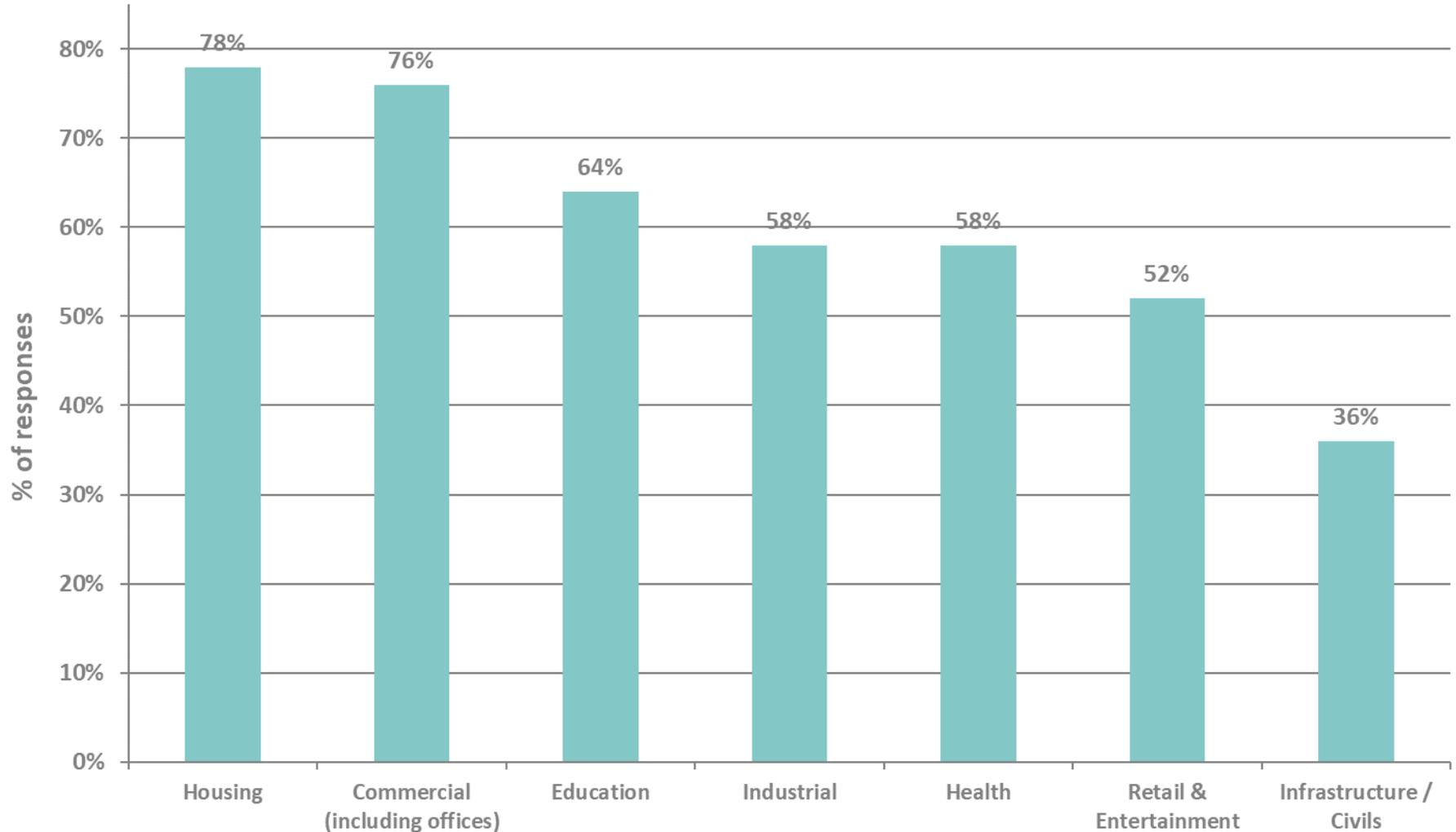
Which area(s) does your company pre-dominantly focus on?



Construction Sector Split

18% of the companies taking part in the survey work across or supply all the main construction sectors.

Which sector(s) does your company pre-dominantly work in?



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01252 279990

www.lead-edge.co.uk

leadingedge@lead-edge.co.uk

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