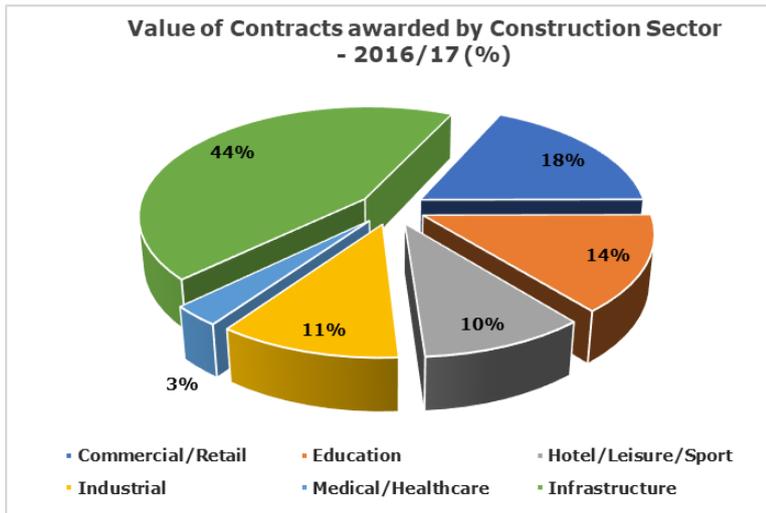




PRESS RELEASE

Consolidation to continue in the UK construction contracting industry

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The construction contracting industry has experienced good growth since 2013, as a result of relatively buoyant construction activity across several end-use sectors. In particular, the infrastructure, commercial office, education and entertainment sectors have performed well in recent years, with infrastructure projects accounting for over 40% of the value of contracts awarded in 2016. More recently, however, the number and value of contract awards have been lower than in 2015, indicating a slowdown.

Source: Barbour-ABI/AMA Research

Despite the growth in recent years, the contracting industry is facing a number of challenges, including significant labour shortages, in particular with regards to skilled tradesmen, across all areas of the country. In addition, the impact of Brexit on the construction industry is expected to be most significant on the long-term supply of capital and labour into the UK, and potential changes to immigration policy could widen the supply gap in the labour market.

The leading UK contractors in terms of turnover are Balfour Beatty, Kier, Skanska, Multiplex, Willmott Dixon, Carillion and Galliford Try, Morgan Sindall and Laing O'Rourke. Together, the top 30 contracting firms accounted for over a third of the total work awarded to contractors in 2016/17.

Contractor margins remain under significant pressure in 2017 as a result of rising material costs and wage inflation, and this has led to some restructuring in the industry. In addition, the fall in the value of Sterling has meant that UK firms have become more attractive to overseas firms, especially where there is a long-term pipeline of major infrastructure work, and in recent years there has been significant consolidation activity in the sector.

There is a growing political and economic uncertainty concerning the EU withdrawal and contracting firms currently remain cautious about future workloads. With competition for construction work now stronger than ever and large-scale construction contracts now few and far between, main contractors have been considering lower value contracts in a bid to maintain workloads. This has led to intense competition also with smaller, regional companies competing for small and medium sized contracts.

Hayley Thornley, Research Manager at AMA Research, commented:

"Going forward, growth in the contracting industry is likely to be underpinned by opportunities in large-scale infrastructure, public sector and private residential work, as new private commercial sectors suffer a slight slowdown."

"Major construction contracts are increasing in size and complexity, and by 2021 the construction industry is expected to have undergone significant consolidation - driven by the larger UK players as well as interest from overseas firms - resulting in several larger multidisciplinary players with the necessary scale to handle larger and more complex projects".

Many end use sectors are expected to support growth with positive outlook in sectors such as infrastructure, entertainment & leisure and the health sector. However, this will be partially offset by the more subdued performance from sectors such as retail, which may suffer from reduced consumer confidence levels, along with lower output in commercial offices and education. The market is also expected to be impacted by the increasing economic and political uncertainty surrounding Brexit.

The '**Construction Contractors Market Report – Focus on Sector Capability and Strategy - UK 2017-2021 Analysis**' report is published by AMA Research, a leading provider of market research and consultancy services with over 25 years' experience in the construction and home improvement markets. The report is available now and can be ordered online at www.amaresearch.co.uk or by calling 01242 235724.

Editors Note:

If you would like to receive more information on the report, or would like to speak to the author, then please contact Anna Eriksson or Hayley Thornley on 01242 235724.

Please include our web address and telephone number on any review printed, and it would also be appreciated if a copy of the review could be forwarded to AMA Research. Thank you.

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