

Covid-19 construction briefing #9

This week has seen a relatively small increase in open projects and a fall in delayed projects. Total open projects have increased in number by 120 and in value by £1.9bn. We now have identified 2,150 open projects with a value of £77bn (£54bn excluding Hinkley Point). Almost all the increase has been in the residential sector.

Restarted projects have increased by £1bn and now total £31bn. Delayed projects have decreased by £1bn and now total £50bn.

We continue to expect further significant falls in delayed projects and increases in open and restarted projects as further sites are reopened.

Contract awards and new tenders remain very weak, at 60% and 40% below pre-crisis levels. Planning applications and planning decisions remain in better health.

We continue to pick up useful insight through our research. Construction material shortages are still very apparent, particularly for products such as plasterboard, plaster, render and mortar. Medium-term concerns remain acute over the weakness of the planning pipeline, contractual disputes and financial resilience.

We provide an update to last week's briefing on:

- **conditions in the UK economy,**
- **observations on activity in the construction industry, and**
- **insights drawn from our planning data including projects confirmed as open, planning information and delayed project volumes.**

Economic conditions

The week saw a continued publication of economic information for April.

Labour market figures were published by the ONS on Tuesday. Preliminary data for April showed that the number of people claiming unemployment benefits jumped by the largest single monthly rise since comparable records began in 1971. The increase of 850,000, a rise of 70% in the month, lifted the total claimant count to 2.1m people, up from 1.2m in March.

The median monthly pay in April also fell by nearly 3% month-on-month. According to the DWP, more than 2 million households have applied for universal credit since crisis started.

On Wednesday the ONS published April's inflation figures. CPI inflation fell to just 0.8% from 1.5% in March. This is the lowest level since August 2016 and was driven by a fall in energy and fuel prices and heavy discounting from retailers.

However, "lived inflation" (the inflation of goods and services consumers are actually buying, rather than those in the ONS' "basket" of goods that make up the index) continues to greatly outstrip the headline rate.

Producer price inflation also turned negative to -0.7% in the month and contributed in a year-on-year fall of -9.8%, driven by the fall in oil prices. There was increasing speculation that the Bank of England would resort to negative interest rates in a further attempt to encourage demand. It has previously stated it would not

countenance negative rates and instead artificially lower borrowing rates by increasing its Quantitative Easing programme. However, depending on the severity of new data the Bank may feel negative rates are necessary.

In related news, the UK sold a tranche of 3-year bonds on Wednesday at an average yield of -0.003%, meaning that investors paid for the opportunity to lend money to the UK government, this first time this has happened for a 3-year bond. This was in the main due to the Bank of England's pledge to buy £200bn of gilts through its Quantitative Easing programme, so these bonds can be sold directly back to the Bank of England as part of its asset purchases.

On Thursday IHS/Markit published its first estimate of its PMI index for May. It showed the UK economy continued to shrink, albeit at a lower rate than in April. The overall index was 39 compared to 14 in April, with manufacturing and services showing similar changes. The rebound in the rate will feed hopes that the full depth of contraction has now been felt and the economy is starting to recover.

Finally, international imports and exports have fallen to their lowest level for at least four years, according to World Trade Organization. The organisation's trade barometer fell to 87 (a value below 100 indicates a contraction) and was the lowest value since its introduction in mid-2016.

Research findings

Our research this week showed broadly a continuation in activity compared to previous weeks. We received a number of reports of manufacturers restarting production and further sites reopening. However, some construction companies are still reporting some or most sites remain closed.

We continue to find a significant number of reports on shortages of construction materials. We continue to receive reports on shortages on plaster, plasterboard, render and mortar.

We are also continuing to find respondents turning to medium-term issues, particularly the weakness of the planning pipeline. Many companies report they have not had a project to bid on since the beginning of the crisis, amid reports of previously agreed contracts being delayed or cancelled.

Construction project information

This week the value of projects confirmed open or restarting has increased by small amount (£1.9bn), from £74.9 to 76.8bn (£51.9bn to £53.8bn excluding Hinkley Point). This is an increase in the number of projects of 120; from 2,037 to 2,157. Almost all the increase has occurred in the residential sector.

Of the above, restarted projects now number 1,011 and total £31.5bn. This week we have seen an increase of 50 projects with a value of £1.0bn.

The value of delayed projects has reduced comparably by £1.0bn and 31 projects. We currently have 4,235 projects delayed with a value of £50.3bn.

The graph below shows the value of delayed, confirmed open and restarted projects over time.

Figure 1: Value of delayed, open* and restarted projects (£bn)



*excluding Hinkley Point £23bn

Planning activity

As per previous weeks, new applications and decision updates remain moderately below pre-Covid levels. Decision updates remain more subdued than new applications, but activity remains within normal activity bands.

Contract awards and new tenders remain very subdued. Figures so far for May have recovered in line with April levels at approximately -60% and -40% respectively.

Confirmed projects remaining open

The projects we have confirmed remaining open have increased by a small amount over the week by £1.9bn, from £74.9bn to £76.8bn (£51.9bn to £53.8bn excluding Hinkley Point). This is an increase in the number of projects of 120; from 2,037 to 2,157.

£1.8bn of the total change this week has occurred in the residential sector – in particular the South East (£0.7bn) and the South West (£0.3bn).

The table below shows the value of projects confirmed open by sector and region. In order to give an indication of relative activity levels, we have shaded the values in the table which have significantly more projects confirmed open (in green) or less (in red) compared to normal activity levels. This week we have excluded Hinkley Point from the data.

As per last week, we have the largest amount of confirmed open projects in the Medical sector, followed by the Residential sector. The Industrial sector continues to have the smallest open projects. Across the UK, London has the highest number of open projects whereas the lowest levels of open projects are in the East Midlands and Yorkshire.

Table 1: Value of projects confirmed as open by sector and region

Confirmed open projects value (£m)	Commercial & Retail	Education	Hotel, Leisure & Sport	Industrial	Infrastructure	Medical & Health	Residential	All sectors
East Midlands	115	244	4	76	120	5	2,135	2,699
East of England	36	647	33	203	289	45	3,113	4,367
London	3,565	1,069	965	15	3,121	523	6,160	15,419
North East	52	112	37	276	85	18	1,230	1,810
North West	122	413	579	75	321	725	4,099	6,335
Scotland	40	58	0	1	3,155	333	1,018	4,604
South East	153	549	265	171	441	258	4,809	6,645
South West	49	167	103	69	77	5	2,690	3,160
Wales	18	280	100	8	98	294	726	1,524
West Midlands	123	320	86	17	798	424	2,612	4,380
Yorkshire & Humber	57	208	12	82	102	61	2,189	2,711
Great Britain	4,331	4,086	2,182	1,018	8,625	2,695	30,837	53,773

We present a table of major construction companies confirmed open projects by number and value below.

Table 2: Major construction companies confirmed open projects

Contractor	Number of projects	Value (£bn)	Contractor	Number of projects	Value (£bn)
Barratt & David Wilson Homes	251	5.4	Laing O'Rourke	7	1.7
Persimmon	254	4.7	Countryside Properties	73	1.7
Taylor Wimpey	186	3.3	Bouygues	18	1.6
Siemens PLC	2	3.0	Multiplex	5	1.5
Sir Robert McAlpine Limited	35	2.9	Morgan Sindall	75	1.4
Vistry Group	152	2.4	Lendlease	6	1.2
Bellway Homes	149	2.3	Balfour Beatty	9	1.2
Redrow Homes	96	2.1	Crest Nicholson Plc	50	1.1
Mace	18	2.0	BAM	20	1.0
Wates	64	1.8	Costain	2	0.9

Projects returning to site

This week we have seen a small increase in restarted projects. We now have confirmed 1,011 projects restarting with a value of £31.5bn. This is an increase of 50 projects with a value of £1.0bn. Most projects returning to site over the week are in the residential sector in the South East and the South West.

The table below shows the value of projects returning to site by sector and region. In order to give an indication of relative activity levels, we have shaded the values in the table which have significantly more projects restarted

(in green) or less (in red) compared to normal activity levels. Given the lack of returning sites in many sectors within UK regions, we have not shaded any of the information in red at this level.

Overall, the residential sector has by far the most projects returning to site (£20.4bn), followed by the Infrastructure sector (£6.3bn). The Industrial sector (£0.5bn) the least restarted projects relative to its size. London has the highest level of restarted projects, with the rest of the UK at lower levels. Yorkshire and the East Midlands have the lowest amount of restarted projects relative to their size.

Table 3: Value of projects restarted by sector and region

Confirmed open projects value (£m)	Commercial & Retail	Education	Hotel, Leisure & Sport	Industrial	Infrastructure	Medical & Health	Residential	All sectors
East Midlands	86	0	0	2	1	0	872	961
East of England	0	346	0	128	0	0	2,003	2,477
London	1,286	481	672	0	2,795	290	4,957	10,480
North East	52	27	0	270	63	0	889	1,301
North West	0	64	410	0	90	18	2,439	3,021
Scotland	40	56	0	0	3,155	0	895	4,145
South East	90	100	116	115	18	2	3,344	3,785
South West	47	8	0	3	0	0	1,719	1,776
Wales	17	62	0	0	89	0	441	609
West Midlands	0	25	0	0	0	0	1,666	1,691
Yorkshire & Humber	7	12	0	2	21	7	1,170	1,219
Great Britain	1,625	1,180	1,198	520	6,250	316	20,408	31,497

Delayed projects

Comparably to the change in restarted projects, we have seen a small drop in delayed projects over the course of the week of 31 projects with a value of £1.0bn. The total value of delayed projects is now £50.3bn. The number of projects delayed have decreased by 31, from 4,266 to 4,235, as we continue to pick up small numbers of newly delayed low value projects.

Almost all of the fall in delays is due to the residential sector, with a decrease of £1.1bn. As reported above the majority of the reduction occurred in the South East and South West. The Hotel, Leisure and Sport sector actually saw a small increase in delays of £0.1bn, so we continue to pick up newly delayed projects through our research, though the volumes are small.

The table below shows the value of projects returning to site by sector and region. Similarly to the tables above we have shaded the values in the table which have more projects significantly delayed (in red), moderately more delayed (in orange) or less delayed (in green) compared to normal activity levels.

The overall picture is the same as last week. Scotland is now more outlying in terms of remaining delays as all non-essential sites remain closed. Even with the large number of residential sector projects returning to site, the sector remains the most impacted. The Medical and Industrial sectors remain the least impacted by the delays.

Table 4: Value of Covid-19 delayed projects by sector and region

Covid-19 delayed project value (£m)	Commercial & Retail	Education	Hotel, Leisure & Sport	Industrial	Infrastructure	Medical & Health	Residential	All sectors
East Midlands	94	84	106	326	116	25	1,643	2,393
East of England	191	248	115	140	254	15	1,751	2,715
London	4,352	464	1,335	91	4,280	81	3,848	14,451
North East	41	121	61	68	61	2	933	1,287
North West	256	143	280	116	488	47	3,154	4,484
Scotland	856	1,206	619	271	4,587	96	5,723	13,359
South East	192	271	146	247	519	45	2,195	3,616
South West	150	188	150	168	195	52	1,797	2,700
Wales	16	104	28	80	75	13	343	659
West Midlands	164	215	161	302	608	10	1,143	2,604
Yorkshire & Humber	252	55	101	151	203	14	1,234	2,010
Great Britain	6,564	3,118	3,103	1,962	11,389	400	23,798	50,334

Next steps

We will continue to provide weekly updates, including themes we uncover as further information becomes available.