

Covid-19 construction briefing #5

This week we have seen an overall reduction in delayed projects of £1.4bn, leading to hopes that the scale of site closures has plateaued, and an increasing number are starting to reopen. Overall this week we've seen £1.8bn of projects move from being delayed to confirmed ongoing.

We have also seen a significant increase in sites confirmed as open. We expect this trend to continue in the coming weeks.

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 projected confirmed as open, planning information and delayed project volumes.**

Our research team are operating at full capacity and constantly updating projects in real time to ensure our information is timely and accurate. We remain poised to respond as the situation changes.

Economic conditions

The drip-feed of new information continued over this week.

The CIPS/Markit Purchasing Managers Indices slumped further in April, with the composite index reaching the lowest ever level of 12.9, down from 36 in March, itself a very pessimistic reading (anything below 50 is a contraction). 80% of companies in the services industry reported a fall in activity and 75% of manufacturers.

- The services index was 12.3, down from 34.5 in March, and
- the manufacturing index was 16.6, down from 43.9 in March.

Earlier in the week the CIPS/Markit survey of UK household finances produced the weakest result since November 2011 with a reading of 34.9 and was the biggest monthly drop since the survey was started in 2009.

The magnitude of the above results suggests the economy is in line for a never-before seen hit to GDP in Q2 of 2020.

Inflation also started on a downward trajectory in March, falling to 1.5% from 1.7% in February. Falls in the price of motor fuels and clothing were in the largest downward contributions to the change. Rises in air fares produced the largest upward contribution to change.

Headline inflation is expected to fall further over the coming months as demand for goods and services reduces. However as reported last week, "lived inflation", the products that are in demand and are actually being purchased, is running exceptionally high at the moment. We expect very serious spikes in inflation over the coming months across all goods where demand holds up or increases and supply constraints emerge.

Meanwhile plans for a large-scale 300,000-person assessment to ascertain what proportion of the UK population has had the virus, and what percentage retain immunity is a welcome, albeit belated, start to understand how to ease movement restrictions.

Evidence of construction activity

As we reported in previous weeks, most companies' experiences are now focused on the challenges of reopening sites and maintaining activity, having moved on from the shock of the fall in demand and movement restrictions.

Differences in activity among companies remains very large: from some reporting full closure of all sites, to partial opening, to essential sites only, to all sites unaffected. Most companies are somewhere in the middle.

Our survey responses continue to pick up acute materials shortages and supply chain issues across the whole range of construction products. Around 50% of respondents are reporting significantly increased lead times getting materials to site. We have also identified shortages in the following areas:

- Plasterboard
- Boilers, flues
- Pipework
- PPE
- Concrete
- Fabrications
- Insulation
- Structural steel frames and bolts
- Pumps
- Drylining
- Paint

There is now more information that some manufacturers are returning to production, with brick producers for example recommencing activity next week. More builders' merchants are also reopening. However, given the lead times for manufacturing and the supply chain delays currently being experienced, it is likely to be at least several weeks before the supply problems are rectified.

Several companies are reporting a severe slowdown in the planning and tendering process, however other companies are stating they have not seen a slowdown in activity so far. Many companies continue to report they are struggling to comply with the social distancing guidelines. There is some evidence in the media that companies are starting to respond to the situation, from new PPE products suited to construction to changes to working hours and site working activity.

Construction project information

This week we have seen a decrease in the overall number and value of delayed projects. Hopefully the scale of delays has now reached a peak and is now starting to decrease as sites reopen. Total delayed project value is currently £69.3bn, a reduction of £1.4bn from the previous week. This week we've seen £1.8bn of delayed projects returning to site with £0.4bn newly delayed projects. London, the East of England and the North West have seen the greatest reduction.

At the same time, we have seen a large increase in projects confirmed as remaining open, from £3.5bn last week to £13.5bn currently (excluding the Hinkley Point project).

Planning activity

We continue to receive both new projects and decision updates from the planning process. Activity continues at the lower bounds of normal. New planning applications have recovered somewhat after several weeks of downward activity.

We continue to be concerned with the volume of new contract awards. Up until the middle of March, new contract awards for 2020 were averaging around 200-250 per week. Since then volumes have dropped to 100-150 per week.

Information on tenders have also been similarly impacted. Before mid-March new tenders reported for 2020 were averaging around 100-150 per week. However, since then volumes have dropped to 50-80 per week.

Confirmation of projects remaining open

As the value of delayed projects started to plateau in previous weeks, our activity has started to pivot to confirming projects that remain open. Last week we had confirmed a total of 378 projects as continuing with a value excluding Hinkley point of £3.5bn. This week we have now confirmed 508 projects with a value of £13.5bn (£36.6bn including Hinkley Point), a significant increase.

We will continue to focus our research work in this area, and we anticipate further increases over the coming weeks. The table below displays confirmed open projects by sector and region. As may be expected, many confirmed projects are in the Medical sector.

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	28	115	0	58	81	5	36	323
East of England	3	508	2	35	249	45	30	871
London	1,435	505	185	0	1,458	517	1,236	5,337
North East	0	76	10	0	22	18	33	158
North West	87	83	139	20	104	660	467	1,560
Scotland	0	0	0	1	79	333	0	412
South East	41	331	228	39	138	242	727	1,746
South West	47	115	88	22	23,062	3	94	23,431
Wales	0	150	0	8	0	292	124	574
West Midlands	71	266	86	9	662	424	95	1,612
Yorkshire & Humber	50	114	0	80	57	54	180	535
Great Britain	1,761	2,279	739	272	25,913	2,597	3,022	36,583

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)
Wates	64	1.8	LM JV	2	0.3
Bouygues	18	1.6	Fusion JV	1	0.3
Multiplex	5	1.5	John Sisk Limited	2	0.2
BAM	18	0.9	Buckingham Group	5	0.1
Balfour Beatty	6	0.9	Integrated Health Projects	3	0.1
Sir Robert McAlpine Limited	12	0.9	Seddon	16	0.1
Willmott Dixon	51	0.7	Vinci	8	0.1
Laing O'Rourke	5	0.7	Inland Homes	7	0.1
Galliford Try	35	0.7	Beard Construction Limited	22	0.1
Kier	33	0.7	Stepnell Limited	20	0.1
Volker Fitzpatrick	25	0.7	Bowmer & Kirkland	4	0.1
Russells Construction	17	0.5	Interserve	6	0.1
Costain	1	0.5			

Delayed projects: impact by sector and region

This week we have started to see a drop in delayed projects, implying a return to site for a proportion of those sites that were previously put on hold.

Overall decreases in delayed projects are still small when comparing to the overall delayed value so far: a £1.4bn reduction (a 2% fall). Breaking that figure down, we've seen £1.8bn of delayed projects returning to site with £0.4bn newly delayed projects.

As always, there are more significant shifts under the headline changes, shown in the tables below. Across the different construction sectors, Education saw the largest change with a reduction of 11%, and the Residential, Hotel and Leisure and Infrastructure sectors reduced by 2-3%. Whereas the Commercial and Retail sector was flat, delays in the Industrial sector increased by 1% and the Medical sector increased by 8%, though this was from a very low level.

Table 3: Change in delayed project value by sector

Sector	Value last week (£bn)	Value this week (£bn)	% change
Commercial & Retail	8.7	8.7	+0%
Education	3.4	3.0	-11%
Hotel, Leisure & Sport	2.7	2.6	-3%
Industrial	2.4	2.4	+1%
Infrastructure	14.6	14.3	-2%
Medical & Healthcare	0.2	0.2	+8%
Residential	38.6	38.0	-2%
All sectors	70.7	69.3	-2%

Across the UK there were also changes. Delayed projects in the East of England reduced by 7% and the North West by 5%, and in London by 4%. The reduction in delays in London amounted to £800m, a significant value.

In London the reductions were mainly residential projects restarting, whereas in the North West it was mainly Infrastructure and Medical projects, and in the East of England it was projects in the Education sector.

Whereas across some other regions new delays still appear to be occurring. Delays increased in the South West by nearly 3% with delays in Wales also increasing by a smaller amount.

Table 4: Covid-19 delays by construction stage

Sector	Value last week (£bn)	Value this week (£bn)	% change
East Midlands	3.0	3.0	+0.1%
East of England	4.8	4.4	-6.9%
London	20.6	19.8	-3.9%
North East	2.4	2.4	-0.8%
North West	5.8	5.6	-4.9%
Scotland	16.6	16.6	+0.2%
South East	5.9	5.9	-1.6%
South West	4.2	4.3	+2.6%
Wales	1.1	1.1	+0.7%
West Midlands	3.0	3.0	-0.1%
Yorkshire & Humber	3.2	3.2	-0.3%
Great Britain	70.7	69.3	-2%

The table below shows the total value of delayed projects by sector and region.

Table 5: 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	99	73	73	420	100	12	2,186	2,962
East of England	182	216	107	259	93	9	3,578	4,443
London	6,540	774	961	91	4,785	21	6,593	19,765
North East	79	58	55	328	124	1	1,785	2,429
North West	245	108	500	110	547	27	4,015	5,552
Scotland	853	1,044	577	204	7,574	64	6,266	16,582
South East	212	289	81	307	472	39	4,454	5,854
South West	125	167	80	162	197	43	3,533	4,306
Wales	27	100	8	50	146	12	745	1,087
West Midlands	95	172	115	345	78	9	2,223	3,037
Yorkshire & Humber	228	41	92	150	202	7	2,506	3,225
Great Britain	8,684	3,041	2,647	2,426	14,317	244	37,953	69,312

The table below shows the value of Covid-19 delays and cancellations relative to baseline construction activity levels. Values are expressed as the percentage more or less than normal splits of activity. Areas with a significantly higher level of delays have been highlighted.

Table 6: Variance of Covid-19 delays compared to baseline activity levels

% by project value	Commercial & Retail	Education	Hotel, Leisure & Sport	Industrial	Infrastructure	Medical & Health	Residential	All sectors
East Midlands	-5%	-5%	-2%	+3%	-11%	+1%	-1%	-4%
East of England	-4%	-6%	-2%	-1%	-10%	-1%	+1%	-3%
London	+27%	+11%	+2%	-2%	+23%	-16%	-5%	+7%
North East	-2%	-3%	0%	+9%	-2%	-2%	+1%	0%
North West	-5%	-5%	+5%	-7%	-10%	-3%	-1%	-4%
Scotland	+5%	+24%	+13%	+4%	+37%	+14%	+9%	+15%
South East	-8%	-7%	-7%	-4%	-4%	+4%	-2%	-4%
South West	-2%	-2%	-4%	-1%	-5%	+7%	0%	-1%
Wales	-1%	0%	-3%	0%	-2%	-1%	-1%	-1%
West Midlands	-3%	-4%	0%	+2%	-3%	-3%	-2%	-2%
Yorkshire & Humber	-1%	-5%	-3%	-4%	-15%	0%	-1%	-4%
Great Britain	-1%	-4%	-5%	-7%	+1%	-2%	+18%	

Delayed projects: impact by project stage

This week there has been a reduction in delayed projects both under construction and at the contract award stage of 2% by value and 1% by number, implying that a small number of projects are restarting on side but also being progressed at the contract stage.

The table below shows values and number of delayed projects at each construction stage.

Table 7: Covid-19 delays by project stage

Project value	Value (£m)	Number of projects	Weekly change by value	Weekly change by number
Detail planning	80	5	0.0%	0.0%
Approval	91	8	0.0%	0.0%
Tender	17	16	20.7%	14.3%
Contract awarded	9,981	545	-0.7%	1.5%
Under construction	58,817	3,952	-2.2%	1.0%
All stages	68,987	4,526	-2.0%	1.1%

Delayed projects: impact by project value

The average value of projects impacted by Covid-19 remains concentrated in the £10-50m (£29.4bn of projects) and £100-500m (£23.3bn of projects) categories when considering project value.

Most projects restarting activity have been in the higher value bands, with:

- total delayed projects over £100m reducing by 6% and 9% by value and number respectively, and
- those between £50m and £100m reducing by 2% by value and number.

Projects in the smaller value band of £1m to £10m are still increasing, though by a small amount (1% by value and 2% by number) whereas the £10m to £50m category is stable.

Table 8: Covid-19 delays by project value

Project value	Value (£m)	Number of projects	Weekly change by value	Weekly change by number
£1-10m	8,471	2,064	1%	2%
£10-50m	29,355	1,440	0%	0%
£50-100m	7,900	122	-2%	-2%
£100-500m	23,303	71	-6%	-9%
More than £500m	0	0	-	-
All projects	69,028	3,697	-2%	-1%

Next steps

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