

Covid-19 construction briefing #7

Over the course of this week we have observed significant increases in construction projects open or returning to site and a decrease in delayed projects. Total open and restarted projects number over 2,200 and stand at £82bn (£59bn excluding Hinkley Point). This is an increase of nearly 700 projects with a value of £18.4bn. Of this, the value of confirmed open and restarted projects have both increased by around £9bn from last week.

Delayed projects have now started to decrease significantly. The number of delayed projects fell from 4,900 to 4,600 and their value decreased from £67bn to £62bn.

We expect further significant increases in projects open or restarting and drops in delayed projects over the next few weeks as more companies return to site.

In the planning environment, new applications and decision updates continue to strengthen. Planning applications and decisions are now at relatively normal levels of activity. However, the number of new contract awards and tenders remain weak, at 60% and 45% respectively below pre-crisis levels.

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 UK Government's thoughts are clearly now on managing the path out of lockdown. While it is difficult to draw comparisons, on some estimations the UK now has the highest number of deaths from the virus in Europe, and the second highest per capita. With a preliminary tracing app trial only now taking place on the Isle of Wight, and testing capacity far behind the rest of Europe, the UK Government appears to be taking significant additional risk as it reopens the country.

The European Commission published updated forecasts on the economic impact of Covid-19. Its estimates for the UK are a GDP contraction of 8.3%, a doubling of the unemployment rate and a reduction in investment of 14%.

April's Markit/CIPS PMI survey for the construction industry was published this week. The industry suffered its largest ever drop, slumping to an incredible 8.2 in April (any value below 50 is a contraction), down from 39.3 in March.

This week also saw the final reading of the April Markit/CIPS composite PMI with a value of 13.8. It is the lowest level on record (the index goes back to 1998) by a long margin. It shows a further large fall in private sector output from March's reading of 36. It confirms the fears that an unprecedented fall in output is will occur in April.

In a lesser-reported news item, the amount of credit card debt in March fell for the first time ever (the Bank of England started recording the information in 1987). British households repaid £3.8bn of debt over the month and is the largest repayment on record. £2.4bn of the £3.8bn repaid was credit card debt. This suggests a huge fall in consumption which will impact March's GDP figures when they are published next week.

It also highlights a challenge that will start to concern policy makers as the economy moves out of lockdown. With the UK's economic model dependent on increasing debt and high levels of consumer spending, citizens will need to return to their previous spending habits for the economy to recover. However, this is likely to be a significant challenge, with:

- a certain increase in unemployment,
- consumers responding to the difficult economic times by tightening their belts, and
- social distancing measures set to be in place for the foreseeable future.

Evidence of construction activity

Our research efforts continue to provide useful evidence on construction activity. Construction professionals' thoughts remain fixed on supply chain constraints and the difficulties returning to work. There also appears to be a growing concern about the future: this week we have collected a small number of views on the weakness of the forward-looking pipeline. There is concern that new work is being deferred, contracts are being cancelled and order books are worryingly low.

On-site productivity remains a big issue. Estimates of the reduction in on-site productivity range from 30% to 75% with 50% the central value. These extreme values may be a product of sites recently reopening and over time they will adapt to the new working conditions: one respondent said they expected a 20% reduction in productivity once sites are fully up and running.

The shortages in building materials remain apparent. A small number of respondents have reported an easing of supply chain constraints over the last few days, with deliveries of materials and products resuming. However, for most companies it remains the largest issue they face at the current time.

Construction project information

This week the value of projects confirmed as opening or restarting has increased materially, from £63bn to £82bn – an increase of £18.4bn (£40bn to £59bn excluding Hinkley Point). We now have confirmed over 2,200 projects open or restarted. We expect further significant increases in open projects over the coming weeks.

The value of confirmed open projects has increased from £52bn to £61bn, an increase of £9.2bn (£29bn to £38bn excluding Hinkley Point). The number of projects has increased from 1,100 to 1,500.

Restarted projects have also seen a large increase. The number of restarted projects has increased from 400 to 675 over the week, with project values increasing from £11bn to £20bn – an increase of £9.1bn.

Delayed projects have now started to see some significant reductions. This week the number of projects fell from 4,900 to 4,600, and the value fell from £67bn to £62bn. We continue to pick up a very small number of projects newly delayed.

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

Earlier stages of planning activity remain on an upward trend: decision updates in particular continue to increase week-on-week and are now at a level not far from normal numbers (3,000-3,500 compared to normal activity of 3,500 to 4,500).

New planning applications are also on a marginally slower upward trend and remain slightly below normal activity levels (1,800-2,000 compared to normal activity of 2,200-2,500).

However, the volume of contract awards and tenders remains at concerningly low levels. Up until the middle of March, new contract awards for 2020 were averaging 200-250 per week. Since then volumes have dropped to 100 per week – a fall of 60%.

Before mid-March new tenders reported for 2020 were averaging around 100-150 per week. However, since then volumes have dropped to 60-80 per week – a fall of 45%.

Confirmed projects remaining open

Projects remaining open have increased further over the last week, from £52.3bn to £61.5bn – an increase of £9.2bn (from £29.3bn to £38.5bn excluding Hinkley Point). The number of projects has also increased from 1,135 to 1,544.

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.

Hinkley Point continues to skew the data. Proportionately, across the UK we have confirmed a larger number of projects as open in the medical and education sectors. Also, there are a larger proportion of projects confirmed open in the London Commercial, Education and Hotel and Leisure sectors.

We have confirmed open a smaller proportion of projects in the Residential, Commercial, Industrial and Infrastructure sectors (Hinkley Point excluded).

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

% by project value	Commercial & Retail	Education	Hotel, Leisure & Sport	Industrial	Infrastructure	Medical & Health	Residential	All sectors
East Midlands	115	244	4	68	116	5	937	1,490
East of England	33	647	2	203	289	45	1,797	3,017
London	2,803	1,053	951	15	1,619	517	3,201	10,160
North East	52	112	10	276	85	18	1,029	1,582
North West	122	413	515	75	316	664	2,453	4,559
Scotland	40	58	0	1	3,155	333	1,018	4,604
South East	151	481	265	162	414	242	2,488	4,202
South West	49	167	103	69	23,075	5	1,690	25,158
Wales	1	233	100	8	9	294	623	1,267
West Midlands	123	321	86	9	798	424	1,707	3,468
Yorkshire & Humber	50	206	2	80	99	54	1,404	1,895
Great Britain	3,539	3,956	2,037	992	29,992	2,606	18,372	61,493

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)
Persimmon	218	3.9	Vistry Group	71	1.4
Siemens PLC	2	3.0	Lendlease	5	0.9
Taylor Wimpey	123	1.9	Bouygues	12	0.9
Bellway Homes	119	1.9	Mace	13	0.8
Sir Robert McAlpine Limited	24	1.8	Multiplex	2	0.6

Projects returning to site

We have started to see a large increase in projects returning to site this week – an increase in restarted projects of £9.1bn – from £11.0bn to £20.1bn this week. The number of restarted sites has increased by 264, from 412 last week to 676 this week.

Most increases have occurred in the residential sector, with projects with a value of £4.6bn restarting across the country and not focused in a smaller number of regions. We have also recorded £3.0bn of infrastructure projects restarting in Scotland. Elsewhere £850m of projects have restarted in London in the Commercial, Education and Hotel and Leisure sectors.

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 at this level.

Table 3: Value of projects restarted by sector and region

% by project value	Commercial & Retail	Education	Hotel, Leisure & Sport	Industrial	Infrastructure	Medical & Health	Residential	All sectors
East Midlands	86	0	0	0	1	0	689	776
East of England	0	346	0	128	0	0	1,033	1,507
London	536	476	672	0	444	284	2,361	4,773
North East	52	27	0	270	63	0	815	1,227
North West	0	64	360	0	85	18	1,507	2,034
Scotland	40	56	0	0	3,155	0	895	4,145
South East	90	88	116	115	0	2	1,705	2,116
South West	47	8	0	3	0	0	1,117	1,174
Wales	0	20	0	0	0	0	340	360
West Midlands	0	25	0	0	0	0	1,288	1,313
Yorkshire & Humber	0	10	0	0	19	0	690	719
Great Britain	850	1,119	1,148	516	3,771	304	12,439	20,147

Delayed projects: impact by sector and region

We are now seeing a material drop in delayed projects as more projects return to site. This week the number of delayed projects stands at 4,636 with a value of £61.6bn. This is a fall of 229 projects and a value of £5.8bn.

The reduction in delayed projects has occurred mainly in the residential sector (£4.8bn out of the £5.8bn). The remaining reduction in delayed projects are in the Commercial (£0.7bn), Hotel and Leisure (£0.4bn) and Education (£0.3bn) sectors.

We continue to pick up a few newly delayed projects with small values.

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.

As with previous weeks, London and Scotland remains the most impacted. The Residential sector has the greatest volume of delays, with Industrial sector is the least impacted.

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

% by project value	Commercial & Retail	Education	Hotel, Leisure & Sport	Industrial	Infrastructure	Medical & Health	Residential	All sectors
East Midlands	101	110	91	328	116	13	1,928	2,687
East of England	191	230	111	140	254	13	3,155	4,095
London	5,181	490	1,284	91	5,033	85	6,368	18,533
North East	41	30	61	68	61	1	995	1,257
North West	256	140	311	116	480	46	4,516	5,865
Scotland	856	1,201	617	271	4,586	96	5,721	13,349
South East	195	272	127	246	486	44	4,142	5,512
South West	129	178	92	169	198	51	2,558	3,374
Wales	27	148	28	80	164	13	542	1,001
West Midlands	163	204	122	302	608	10	1,716	3,126
Yorkshire & Humber	234	57	99	153	205	19	1,917	2,685
Great Britain	7,373	3,073	2,945	1,965	12,207	392	33,635	61,591

Next steps

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