Barbour ABI

AMA Research

Covid-19 construction briefing #8

This week has seen a further significant increase in open projects and a comparable decrease in delayed projects. Total open projects number 2,037 with a value of £75bn (£52bn excluding Hinkley Point). This is an increase of 493 projects and an increase value of £13.4bn. Most of the increase has been in the residential sector.

Out of the open projects, restarted projects number 961 and have a value of 30.5bn. This is a weekly increase of 285 projects and £10.3bn.

The value of delayed projects has again reduced significantly over the week. We currently have identified 4,266 projects delayed with a value of £51.3bn. This is a weekly decrease of 370 projects and a significant decrease in project value of £10.3bn.

Further increases in open and restarted sites are expected over the coming weeks as housebuilders and major contractors make new announcements.

In the planning environment, new applications and decisions continue to hold firm at levels nearing normality. However, the number of new contract awards and tenders remain very weak, and have deteriorated again so far in May, though this may be due to the bank holiday.

Our research continues to find a majority focused on on-site productivity; however sentiment may be starting to shift away from immediate concerns to 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.**

Clarification

We made an error in weekly briefings 6 and 7 in the reporting of confirmed open and restarted projects. We had been adding the two together whereas in fact the restarted projects are a subset of the confirmed open projects. Apologies for any issues caused.

We provide an updated table below of open and restarted projects over time and their values below.

	Total open sites excl. Hinkley Point		Sites restarted (subset of open sites)	
Briefing number	Number	Value (£bn)	Number	Value (£bn)
5	507	13.5	0	0
6	1,135	29.3	412	11.0
7	1,544	38.5	676	20.1
8	2,037	51.9	961	30.5

Economic conditions

On Wednesday the ONS published March's GDP, giving the first indication of the magnitude of the Covid-19 economic slump. The result was the worst contraction since the 2008 financial crisis. March GDP suffered a record monthly fall of 5.8% compared to February. After a stagnation of growth in January and February, the March GDP fall contributed to a Q1 GDP contraction of 2%, in line with our forecasts.

The table below shows the March and Q1 GDP results by sector compared to the previous month/quarter.

Table 1: UK GDP Quarter 1 2020

Sector	March 2020	Q1 2020
All sectors	-5.8%	-2.0%
Services	-6.2%	-1.9%
Production	-4.2%	-2.1%
Construction	-5.9%	-2.6%

March's result was the worst month since the ONS started calculating monthly data in 1997 – worse than any single month of the 2008 financial crisis. Within the services sector, the worst-hit sub-sectors were education (-4%), car sales (-11%), pubs and restaurants (-7.3%), hotels (-15%), travel agents (-24%) and personal services (-25%). There were a small number of growth areas including IT programming and consultancy (+1%).

In production, 9 out of 13 sub-sectors fell and overall the sector contracted by 4.2%. The largest of these was transport equipment (-10%). Meanwhile the manufacture of pharmaceuticals (+9%) exhibited solid growth as UK consumers stocked up on medicines, sanitizer and cleaning products.

The construction sector contracted by 5.9% in March. There were declines in all types of work, the first time this has happened since records began in 2010. Record falls were experienced in both repair and maintenance (-5.1%) and new work (-6.2%). The largest falls were in private new housing and private commercial, falling by 6.4% and 7.1% respectively.

With April's figures certainly to be much worse than March, we are only seeing the beginning of what is going to be an unprecedented slump over Q2 of 2020.

Looking overseas among countries who have started to ease restrictions, infections rose late last week in Germany, while Wuhan also reported its first case since lifting its lockdown in April. And in South Korea, a growing cluster of cases have been identified.

Such incidents highlight just how hard it will be to return to normality. With the UK starting to resume activity but still lacking any form of test, trace and isolate infrastructure, which is devolved to local regions rather than being centrally administered, subsequent severe outbreaks are looking highly likely.

Research findings

This week we have collected several interesting insights as part of our ongoing research. Over the course of the week there were further reports of site openings, including announcements that work was resuming on the London super sewer project and at Battersea Power Station. Several major housing associations have announced returns to site, as have several major housebuilders.

Site productivity remains a major issue. Some of our findings suggest sites are operating as normal with adequate PPE and safety measures. However, we are getting many reports that social distancing is difficult if not impossible and we continue to collect several responses stating that sites are not safe.

The availability of construction materials appears to be a decreasing albeit ongoing concern; we continue to receive several reports that materials and products are scarce – this week we were notified of new shortages in carpet, ceiling tiles and render.

Many respondents' concerns are turning to the future. We are seeing an increase in concerns about contractual disputes as projects run late or over budget. We are also seeing evidence from construction colleagues that the planning pipeline is drying up – many have noticed there is a severe lack of new projects. There is a serious risk that projects on-site will be finished but until conditions improve, there may not be a supply of new projects, leading to a collapse in construction activity later in 2020.

There remains concern about firms experiencing financial difficulties – though we are yet to see widespread project cancellations and firms entering administration. Over the last fortnight, the Birmingham Airport Terminal 3 extension project was cancelled, and the Oban-based Scottish contractor Neil McGougan has fallen into administration.

Construction project information

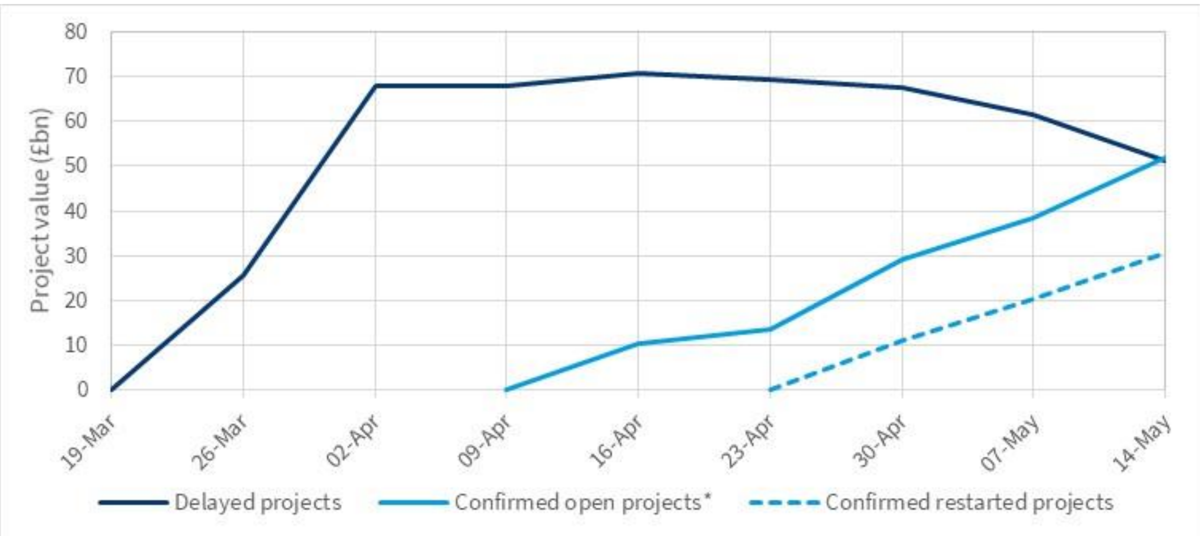
This week the value of projects confirmed open or restarting has increased by £13.4bn, from £61.5bn to £74.9bn (£38.5bn to £51.9bn excluding Hinkley Point). This is an increase in the number of projects of 493; from 1,544 to 2,037. Most of the increase is, similarly to last week, in the residential sector.

Of the above, restarted projects account for £10.3bn and 285 by number of the £13bn weekly increase.

The value of delayed projects has again reduced significantly over the week. We currently have 4,266 projects delayed with a value of £51.3bn. This is a weekly decrease of 370 projects and a significant decrease in project value of £10.3bn.

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

Earlier stages of planning activity remain relatively healthy with decision updates and new applications holding steady at slightly below pre-Covid levels.

However, contract awards and new tenders have reduced even further in May so far, though this may be due to the bank holiday. As reported last week, contract awards are around 60% down from pre-Covid levels, while tenders have fallen by 40%.

In May so far contract awards are down by 75% and tenders have fallen by 60% compared to pre-crisis levels. While this is only a very short period of time it is concerning. Hopefully numbers will recover over the remainder of the month.

Confirmed projects remaining open

The projects we have confirmed as remaining open have increased further over the week by £13.4bn, from £61.5bn to £74.9bn (£38.5bn to £51.9bn excluding Hinkley Point). This is an increase in the number of projects of 493; from 1,544 to 2,037.

The majority of projects confirmed open have increased over the last week are in the Residential sector (£10.6bn), with the next largest increase in the Infrastructure sector (£1.7bn). Confirmed projects remaining open have increased the most in London (£5.2bn), followed by the South East (£1.7bn), North West (£1.6bn), East of England (£1.2bn), and East Midlands (£1.0bn).

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.

Overall, 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 2: 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	74	120	5	1,976	**2,538**
East of England	36	647	16	203	289	45	3,020	**4,258**
London	3,565	1,058	965	15	3,182	517	6,051	**15,353**
North East	52	112	37	276	85	18	1,138	**1,717**
North West	122	413	579	75	321	665	3,943	**6,118**
Scotland	40	58	0	1	3,155	333	1,018	**4,604**
South East	151	539	265	171	431	258	4,118	**5,931**
South West	49	167	103	69	76	5	2,381	**2,850**
Wales	18	275	100	8	98	294	726	**1,519**
West Midlands	123	321	86	17	798	424	2,546	**4,315**
Yorkshire & Humber	50	206	12	80	99	54	2,038	**2,538**
Great Britain	**4,321**	**4,061**	**2,166**	**1,014**	**8,671**	**2,623**	**29,009**	**51,864**

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

Table 3: 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	76	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	BAM	20	1.0
Mace	18	2.0	Costain	2	0.9
Wates	64	1.8	Willmott Dixon	55	0.8

Projects returning to site

This week we have seen a sharp increase in projects returning to site of a similar value to the drop in delayed projects. We now have confirmed 961 projects restarting with a value of £30.5bn. This is an increase of 285 projects with a value of £10.3bn.

Most projects returning to site over the week are in the residential sector (£7.0bn). Other sectors with significant values are Infrastructure (£2.5bn) and Commercial (£0.8bn).

Across UK regions the most projects returning to site are in London (£2.6bn), the South East (£1.0bn), North West (£0.9bn) and the East of England (£0.9bn).

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 (£19.0bn), followed by the Infrastructure sector (£6.2bn). The Industrial sector (£0.5bn) the least restarted projects relative to its size. London and Scotland have the highest level of restarted projects, with the rest of the UK trailing behind.

Table 4: 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	0	1	0	847	**934**
East of England	0	346	0	128	0	0	1,915	**2,389**
London	1,286	481	672	0	2,795	284	4,957	**10,475**
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	95	116	115	8	2	2,725	**3,152**
South West	47	8	0	3	0	0	1,501	**1,558**
Wales	17	62	0	0	89	0	441	**609**
West Midlands	0	25	0	0	0	0	1,622	**1,647**
Yorkshire & Humber	0	10	0	0	19	0	1,160	**1,189**
Great Britain	**1,617**	**1,174**	**1,198**	**516**	**6,237**	**304**	**19,404**	**30,451**

Delayed projects: impact by sector and region

Over the last week we have seen a further large decrease in the number of delayed projects. We currently have 4,266 projects delayed with a value of £51.3bn. This is a weekly decrease of 370 projects and a significant decrease in project value of £10.3bn.

Once again, this week the majority of the decrease is in the residential sector (£8.7bn). The other sectors with non-material reductions are the Infrastructure sector (£0.8bn) and the Commercial sector (£0.8bn).

The picture of delays across the UK is more mixed. London has the highest fall (£4.1bn) but other regions also have enjoyed significant falls in delays: the North West (£1.4bn), East of England (£1.3bn), South East (£1.3bn) have the next highest falls. Since the falls in delays are mainly concentrated in the Residential sector, it is consistent with UK-wide housebuilders restarting activity nationally.

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.

After the falls in delays this 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 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	96	90	106	328	116	15	1,686	**2,436**
East of England	191	232	111	140	254	14	1,839	**2,781**
London	4,376	493	1,284	91	4,282	86	3,862	**14,475**
North East	41	121	61	68	61	2	947	**1,301**
North West	256	142	285	116	483	47	3,149	**4,477**
Scotland	856	1,206	618	271	4,587	96	5,724	**13,358**
South East	195	271	127	247	492	45	2,834	**4,211**
South West	149	183	100	168	195	52	2,031	**2,878**
Wales	10	104	28	80	75	13	341	**652**
West Midlands	163	215	161	302	608	10	1,200	**2,660**
Yorkshire & Humber	264	57	101	153	205	20	1,259	**2,060**
Great Britain	**6,596**	**3,126**	**2,983**	**1,965**	**11,361**	**401**	**24,906**	**51,340**

Next steps

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