

## Regional Construction Hotspots Report

Responding to requests of our members, the CPA, in partnership with Barbour ABI, has produced *Regional Construction Hotspots for Great Britain 2016*, which seeks to analyse construction contract awards on a high level of regional granularity, firstly to identify pockets of growth, or hotspots, in regional activity and secondly, to offer a forward-looking indication of growth by region and by sector. One of the challenges in using such granular data is the large lags in reporting, as evidenced by the most recent macroeconomic data published by the ONS being for 2014. By using data on contracts, this will highlight construction work ahead, rather than reporting on activity in past periods that may not be relevant. The report can be found [here](#) in the "Research Papers" section of the CPA's [Economic Publications](#). For further information, please contact [noble.francis@constructionproducts.org.uk](mailto:noble.francis@constructionproducts.org.uk).

## Economy

All the latest economic and housing data are available via the Association's online interactive database for members. Click [here](#).

### Economy

- According to the ONS, annual CPI [inflation](#) was 0.5% in June, up from 0.3% reported in May. The monthly price growth was mainly led by cost rises in transport and recreational goods and services, but these upward pressures on the annual CPI inflation rate were partly offset by falls in the price of furniture and furnishings and accommodation services. Annual RPI inflation rose to 1.6% in June from 1.4% in May.
- In June, according to the ONS, [output prices](#) of manufactured goods fell 0.4% year-on-year, compared to a fall of 0.6% reported in May, primarily led by a decline in food prices, in addition to a fall in the prices of petroleum, and chemicals and pharmaceuticals. The input price index for manufactured goods fell 0.5% year-on-year in June, compared with a fall of 4.4% in May.
- The ONS reported that the [employment](#) rate reached 74.4% in the period March to May 2016, the highest since comparable records began in 1971. This rate was up from 74.1% in the three months to February 2016 and 73.4% in the same period a year earlier. The unemployment rate for March to May 2016 fell to 4.9%, down from 5.1% in the three months to February 2016 and down from 5.6% a year earlier.
- In May, [average weekly earnings](#) increased 2.1% in annual terms but fell 0.2% compared with the previous month. Earnings in the manufacturing sector increased 3.1% year-on-year and 0.6% on a monthly basis. In construction, earnings were 9.0% higher on a yearly basis and rose 1.4% on a monthly basis. The continued strong growth rate in construction wages is most likely a reflection of the ongoing skill shortages within the industry.
- According to ONS figures, the volume of [retail sales](#) increased 4.3% year-on-year in June but was 0.9% lower than in May, as poor weather conditions weighed on clothing sales, similar to the results reported in the BRC-KPMG survey for June. By value, retail sales increased 1.5% in annual terms but were 0.9% lower over the month.
- Public sector net borrowing excluding temporary effects of financial interventions (PSNB ex) in June was £7.8 billion, according to the [ONS](#). This was £2.2 billion lower than in June 2015, when it was £10.0 billion. The decrease in borrowing was a result of a fall in both central and local government net borrowing. Public sector net debt (PSND ex) was £1,620.7 billion in June 2016, equivalent to 84.0% of GDP. This compares to £1,573.1 billion, or 84.1% of GDP, a year earlier.
- Markit/CIPS released a one-off [Flash UK PMI](#) today that aims to provide a glimpse of the impact of the UK's EU referendum on the economy. The Flash Markit/CIPS PMI for manufacturing was 49.1 in July, down from 52.1 in June and reaching the lowest in 41 months. The Flash Markit/CIPS PMI for services was 47.4 in July, down from 52.3 in June. Both readings for July are below the no-change mark of 50 indicating that activity in both sectors contracted. In July, output and new orders in both sectors declined with firms associating this fall to the ongoing uncertainty pre- and post-referendum. Although the fall in Sterling was reported to have driven input prices up for manufacturers, this led to an increase in manufacturing export growth.

### Housing

- In May, according to the [ONS and Land Registry](#), UK house prices rose 8.1% in annual terms. By nation, house prices grew 8.9% in England, 3.6% in Wales and 4.0% in Scotland. According to region, annual house price increases in England were driven by rises in London (13.6%), the South East (12.9%) and East of England (12.8%). Overall, the average UK house price in May was £211,230. The lowest was £124,466 in North East and the highest was £472,163 in London.

- In June, the number of property transactions in the UK totalled 94,550 according to [HMRC](#). This was a 4.9% increase from May 2016 but was 10.2% lower compared to a year earlier. The monthly increase in transactions came despite the uncertainty in the run-up to the EU referendum and higher stamp duty costs for buy-to-let investors and second-home buyers.
- The [Council of Mortgage Lenders](#) reported that total gross mortgage lending in June reached £20.7 billion, the highest June figure in eight years. This was 16.2% higher than in May 2016 and 3.2% higher than a year earlier. Looking ahead however, the CML signalled that activity is likely to falter, with lending driven by remortgaging and less by house purchases.
- In June, private housing starts in Great Britain increased 6.9% year-on-year and 14.8% on a monthly basis, according to the NHBC. Completions were 2.5% lower than a year earlier but increased 28.3% month-on-month.

For further information contact [amandeep.bahra@constructionproducts.org.uk](mailto:amandeep.bahra@constructionproducts.org.uk)

### Association Activities

#### **CPA Autumn Lunch – Sold Out**

The CPA's annual Autumn Lunch has proven more popular than ever and has sold out. A waiting list is now available for members. For more information, please contact [julie.mills@constructionproducts.org.uk](mailto:julie.mills@constructionproducts.org.uk).

#### **Flooding Resilience Workshop – 03 August (London)**

The CPA has been working closely with DEFRA, DECC and DCLG, including senior officials and ministers, to support a review led by Dr Peter Bonfield OBE (CEO, BRE) in response to flooding and future resilience measures. As a result, the CPA will host a workshop to review procurement and appropriate use of products in response to flooding, whilst showcasing what members are currently offering and what they may be able to offer in the future. This workshop provides a substantial opportunity to network with insurers, financial organisations, and other industry bodies, as well as departmental representatives, concerned with flood risk and flooded assets of commercial, domestic and new build sectors. The CPA are calling for expressions of interest to attend and perhaps provide a short presentation of their interest and previous involvement in the subject.

Time and Location: commencing at 1.30 with registration at 1.00.

Held at the Building Centre, 26 Store Street, London WC1E 7BT.

Please contact [julie.mills@constructionproducts.org.uk](mailto:julie.mills@constructionproducts.org.uk) to RSVP or with expressions of interest.

#### **Highways UK – 16/17 November (NEC, Birmingham)**

The CPA is supporting [Highways UK](#) a major event for the people and organisations involved in the planning, operation and future-proofing of the UK's road network. Sponsored and supported by [Highways England](#) together with several CPA members and numerous UK contractors, the event will provide the very latest update, insight and analysis on the emerging implications for the sector on Britain leaving the EU, including a presentation by CPA Economics Director Noble Francis. Opportunities for exhibition space and sponsorship remain. CPA members will be given a 20% early booking discount on passes. For more information and to register please click [here](#).

### Export

#### **Opportunity with Qatar World Cup**

The [Global Sports Projects Team at UKTI](#) are working with the Embassy in Doha who have requested help to identify companies who could potentially find opportunities around the 2022 Qatar World Cup project. The Embassy learnt that they are looking to procure:

- Stadium Cooling Systems and equipment
- Elevators
- Firefighting systems
- Plumbing Materials
- Generators
- Electric Distribution Boards
- Sanitary Appliances
- Doors
- Seating
- Windows
- Stadium lighting – Interior/Exterior
- Landscaping – install and maintain soft landscaping

## Security

- Networked Video Storage
- Cameras
- Hostile Vehicle Mitigation
- Security Doors
- Access Control
- Turnstiles

In addition, the Embassy have identified, for example, a need for a total solution for Steel Supply and Fabrication (4000 tons of steel are required for one of the stadiums), glass reinforced plastic for the stadium façade, interior and exterior lighting, landscaping.

To learn more, please contact [ukti.doha@fco.gov.uk](mailto:ukti.doha@fco.gov.uk) or [andrew.bacchus@ukti.gsi.gov.uk](mailto:andrew.bacchus@ukti.gsi.gov.uk).

## Other Areas of Interest

### Health in Construction Leadership Group Launch Pledge

Health in Construction Leadership group have pledged a commitment to action for industry on health. They have identified four key areas that companies could prioritise for action. They would ask that companies implement these actions for your organisation and invite you to use this exercise and experience to feedback on progress at a planned 'one year on' event in January 2017.

There are four key areas which form the basis for success in health leadership. These are;

#### 1. Set a Specific Policy for Health

There is good evidence that success in health risk management is more likely if you have a specific policy on your intentions for health, signed by the CEO. Health can become lost as just a part of a general health and safety approach, initially it needs special attention

#### 2. Make Health a Board Agenda Item (at least quarterly)

To ensure profile and progress on health performance should be discussed at board level. That will prompt establishing business and risk relevant leading KPIs.

#### 3. Make your Health Professionals part of every Team

Risk is most effectively managed when communication is facilitated by close relationships. Whether your occupational hygienists, nurses, physios, etc. are directly employed or contracted in, they need to work closely with all your planning, design, procurement, operational and other teams. And they need effective systems for information sharing across the organisation.

#### 4. Visible Leadership

Your leadership on health needs to be visible. That means taking opportunities to demonstrate to your workforce and your management that you are fully committed to their health and wellbeing, and see it as a driver for being a better organisation.

For further information you can contact [kim.brearley@landsecurities.com](mailto:kim.brearley@landsecurities.com).

### Implementation of the CPR

A new report has been issued by the European Commission and European Parliament concerning the present state of the implementation of the CPR. In short, the report says that satisfactory progress has been made considering that it has only been fully applied since July 2013. It goes on to state that some areas show room for improvement. There are no surprises in the text so you may wish to just read Section 10 – *Conclusions, Recommendations and way forward*. A copy of the report can be accessed [here](#). If anyone has difficulties please contact [duncan.king@constructionproducts.org.uk](mailto:duncan.king@constructionproducts.org.uk).

### Innovate UK Opportunities

[Innovate UK](#) is the UK's innovation agency, an executive non-departmental public body. It offers a number of funding opportunities of interest to construction product manufacturers, including:

- [The £15m Materials and Manufacturing Competition](#)
- [The £19m Energy Catalyst Round 4](#)
- [The £15m Open Competition](#)
- [The £15m Infrastructure Systems Competition](#)

### Recommended NHBC Report: *Modern methods of construction: views from the industry*

As the UK increases its housing output, attention is focusing on modern methods of construction (MMC). Based on focus groups and a survey of 135 senior house-builder and housing association colleagues, this research looks at current levels of use of MMC in its many forms and industry views about its future. The report is available at [www.nhbcfoundation.org](http://www.nhbcfoundation.org).

### Recommended Constructing Excellence Publication: “Outcome-led Procurement”

[Constructing Excellence](#) has produced a short publication about a common-sense approach to procurement, highlighting why it's important for suppliers to understand outcomes, the pitfalls involved and suggestions for how to make the process work better. To download the document, click [here](#).

## Parliamentary and Government Update

Week Commencing 18/07/16

### Parliamentary update

#### **Westminster weekly business**

Parliament rises for recess on Friday 22 July and returns on Monday 5 September 2016

#### **Plans, Reports, Consultations and Statements**

##### **Changes to the Machinery of Government**

A new **Department for Exiting the European Union** has been created, with responsibility for overseeing preparations for the withdrawal of the UK from the EU and conducting these withdrawal negotiations in support of the Prime Minister. It will also lead work to establish the future relationship between the UK and EU. In doing this it will work very closely with the UK's Devolved Administrations, the UK Parliament, other government departments and a wide range of other interested parties. The new department will be formed by combining staff from the Cabinet Office's Europe Unit, the Europe Directorate of the Foreign and Commonwealth Office, and the UK's Permanent Representation to the EU; and in time will take on staff from other government departments as is needed.

- David Davis has claimed the Department will have 200 new staff and (implicitly) that he would be giving orders to Liam Fox.
- The Foreign Office is fighting to prevent its Europe Directorate from being transferred en masse to the new Department.
- Despite this Department's responsibilities, Boris Johnson would attend the European Foreign Affairs Council.
- New trade deals themselves will fall under the Department for International Trade.

A new **Department for International Trade** has also been created, with overall responsibility for promoting British trade across the world. It will develop, coordinate and deliver a new trade policy for the UK, including preparing for and then negotiating Free Trade Agreements and market access deals with non-EU countries. The new department will be a specialised body with significant new trade negotiating capacity. It will take on the responsibilities of UK Trade and Investment, the relevant trade functions of the former Department for Business Innovation and Skills; and take on responsibility for UK Export Finance.

The functions of the former Department for Business, Innovation and Skills in respect of higher and further education policy, apprenticeships and skills have been transferred to the **Department for Education**. Bringing these responsibilities together in a single department will mean that the Government can take a comprehensive, end-to-end view of skills and education, supporting people from early years through to postgraduate study and work.

The Department for Energy and Climate Change and the remaining functions of the Department for Business, Innovation and Skills have been merged to form a new **Department for Business, Energy and Industrial Strategy**, bringing together responsibility for business, industrial strategy, and science and innovation with energy and climate change policy. The new Department will be responsible for helping to ensure that the economy grows strongly in all parts of the country, based on a robust industrial strategy. It will ensure that the UK has energy supplies that are reliable, affordable and clean; and it will make the most of the economic opportunities of new technologies, and support the UK's global competitiveness more effectively. Unconfirmed rumours suggest this Department will temporarily reside in the old BIS offices before moving to the current FCO building.

The List of the full Cabinet and Ministers can be viewed [here](#).

##### **CBI Launch Reports on the UK-EU Negotiations**

The CBI this week published two documents on the UK-EU negotiations. The first, [Shaping Our Future](#), outlines the main principles that should underpin the new deal to ensure the best outcome for UK business and the economy. The second, [UK-EU negotiations guidance](#) for CBI members sets out key analysis and advice for members to help navigate this complex process.

The principles outlined to government are based on a consultation with over 500 CBI members of different sizes and sectors across the country launched immediately after the referendum. Five main principles have been identified as most important to the future success of the UK economy:

1. Retaining the ease of UK-EU trade that businesses get from the single market
2. Balancing regulatory equivalence with the EU with flexibility and influence over the domestic environment
3. Ensuring the UK's migration system allows companies to access the people and skills they need, while recognising public concerns
4. Developing a clear strategy for international trade and economic agreements
5. Protecting the economic and social benefits of EU funded projects

### **Angela Eagle Withdraws from Labour Leadership Contest**

Owen Smith MP has been confirmed as the official challenger to Jeremy Corbyn MP for the Labour leadership election. Angela Eagle MP, the former Shadow Business Secretary, confirmed she was withdrawing from the race this week and said she would back Smith in the bid to lead the party after she attracted 72 nominations from MPs and MEPs, 18 below Smith's 90.

### **Government Report: Post-16 Skills Plan and Independent Report On Technical Education**

The government's vision for technical education has been developed based on the work of Lord Sainsbury's independent panel. The post-16 skills plan sets out the government's plan to support young people and adults to secure skilled employment and meet the needs of the economy. The report is the report of an independent panel set up to advise ministers on improving the quality of technical education. To view the report click [here](#).

### **Energy and Climate Change Committee Launches Inquiry 'Leaving The EU: Implications For UK Climate Policy Inquiry'**

The Energy and Climate Change Committee will explore the implications for UK climate policy of leaving the European Union.

The UK's climate-change agenda has been driven by a mixture of national and international policies. Nationally, the Climate Change Act 2008 sets the UK decarbonisation agenda up to 2050. On the international stage, the UK currently negotiates as part of the EU bloc. The EU 2030 target—the EU's proposed contribution at the recent COP21 climate change conference in Paris—was agreed by Member States in October 2014. The UK's participation in the EU Emissions Trading Scheme, which requires companies to purchase permits to emit greenhouse gases, will now be subject to negotiation. Withdrawal from the EU raises questions as to the UK's position with respect to existing EU pledges and policies, and its future interaction with the EU bloc to fight climate change.

Through this inquiry, the Committee aims to understand the implications of the UK's departure from the EU on the UK's climate-change commitments and ambitions, and determine which climate policy areas will need to be addressed during the UK's exit negotiations. It also seeks guidance on an appropriate timeline for these developments. Deadline for submissions: Monday 22 August 2016. For further information click [here](#).

### **Communities and Local Government Select Committee: Capacity In The Homebuilding Industry Inquiry**

The Communities and Local Government Committee has launched an inquiry into the capacity of the housebuilding industry to meet demand for new homes. The Committee invites submissions of evidence on the following issues:

- whether the numbers of builders and types of firms in the homebuilding industry is sufficient to meet housing demand
- the structure of the homebuilding industry, in particular the role of small and medium-sized developers
- housebuilders' business models and how risk and uncertainty affect incentives to expand
- the sustainability, size and skills of the building industry workforce
- why fewer homes are being started and completed than the number of planning permissions being granted
- the extent to which current planning approaches cause delays to the building of new homes
- innovative approaches to increasing the housing supply, for example self-build, off-site construction and direct commissioning by central government and local housing companies
- the role of development finance and how it can promote or constrain housing investment

Deadline for submissions: 12 September 2016. For further details click [here](#).

### **Launch of National Infrastructure Assessment Consultation**

A consultation into how the NIC plans to take forward the National Infrastructure Assessment (NIA) has been launched this week. A central responsibility of the National Infrastructure Commission is to publish a NIA once a Parliament. This will:

- Analyse the UK's long-term economic infrastructure needs
- Outline a strategic vision over a 30-year time horizon
- Set out recommendations for how identified needs should begin to be met

The National Infrastructure Assessment Process and Methodology Consultation can be found [here](#). Responses to this consultation should be sent to [NIAEvidence@nic.gsi.gov.uk](mailto:NIAEvidence@nic.gsi.gov.uk) by 5th August 2016

## Public Affairs Activities

Dr Diana Montgomery, Chief Executive, and Jonathan Bloom, Public Affairs Manager, attended the Enterprise Forum meeting on Monday 18 July. The guest speaker on the day was The Rt Hon David Gauke MP, Chief Secretary to the Treasury. The meeting was the first official speaking engagement for the Chief Secretary, and was conducted under Chatham House Rule however the Association was able to raise key concerns for the construction product manufacturing and distribution sector.

## CPA in the News

Financial Times - [Industry groups urge Theresa May to act soon on infrastructure](#)

Building - [Contract awards: Waiting for impact](#)

Building - [Private housing: Looking good... but for how long?](#)

Riba Journal – [Which Way Now](#)

Warrington Guardian - [£11.5m investment for crane hire firm with depot in Appleton](#)

**ENDS**