Barbour ABI

AMA Research

Covid-19 construction briefing #12

This week there has been a further sizeable increase in open projects and a fall in delayed projects. Total open projects have increased in value by £7bn. We have now identified 2,800 open projects with a value of £96bn (£73bn excluding Hinkley Point). While the Residential sector has again seen the largest change in the volume of open sites, most other sectors have seen a sizeable increase. Across the UK the increases have been shared more fairly, though Scotland remains a significant outlier.

Restarted projects have increased by £5bn and now total £46bn. Delayed projects have decreased by £6bn and now total £30bn. The Commercial and Retail sector has overtaken Residential as the most delayed sector relative to its size.

The planning system remains weak: contract awards remain 60% down and tenders 30% down compared to pre-crisis levels. Decision updates continue to be subdued but new applications remain robust.

Through our research findings we expect further increases of restarting projects over the coming weeks as projects in Scotland return to site. However there are ongoing fears around increasing costs, the lack of new projects and on-site productivity.

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's economy hit the bottom of the Covid-19 trough in April as lockdown restrictions stopped all but non-essential activity. April's GDP contracted by -20.4%, wiping nearly two decades of growth (fig.1 shows the magnitude of the shock). Following anaemic growth pre-crisis and a 2% fall in March as the lockdown was introduced, the 3-month rolling average growth rate outturned at -10.4%.

The fall in GDP, while unprecedented, was expected and in line with our forecasts. Given the scale of the closures, and the size of the fall forecast by some commentators, the impact could have been worse. However, due to the uncertainty of this first estimate there may be a sizeable revision by the ONS over the coming weeks.

This week the OECD published a new set of forecasts of GDP for 2020, with the UK likely to suffer the most out of any country in the developed world. The OECD expects the UK's 2020 GDP to shrink by 11.5% in 2020. This is compared to 6.6% in Germany, and 11.1% to 11.4% in Spain, Italy and France.

Other news this week included:

- A survey by the recruitment firm ManPower found that the jobs outlook was the most pessimistic for 30 years.
- The Institute of Directors' confidence tracker found that the investment intentions of its members had hit a record low of -43% as companies shelved investment plans.

- France and Germany released trade figures for April; data showed that international trade fell by 32% and 25% compared to March.

Economic forecasters have now all but ruled out a V-shaped recovery. The shape currently being mentioned is the “square root” shaped recovery, where growth recovers but is unable to achieve previous output. While the depth of the trough is now over and the path from here is positive, what is clear is that the path back to previous output levels is going to be significantly longer and more challenging than most initially assumed. It is likely that, without a significant reordering of our economy towards a universal basic income, greater local power and resource, a green new deal and greater public and private innovation and investment, we are likely to see significant rises in unemployment and the possibility of company insolvencies.

Mirroring the above, the UK Government now has the joint-lowest approval rating in the world for its management of the Covid-19 pandemic. It has a net score of -15% which is the same as Mexico and lower than the USA, at -12%.

With the independent Sage group stated the Government’s test and trace system is not fit for purpose and the planned reopening of schools being revised, the Government is going to come under increased pressure over the coming weeks to improve the situation. With among the highest number of deaths per capita in the world so far however expectations are low.

Research findings

The results of our research this week has again been focused on sites reopening. Most of the information we have collected suggests that the majority of companies have now reopened all sites. However some have still not reopened and a number suggest they will not be returning to site in the near future.

Preparation for restarting work has commenced in Scotland. Many sites are expected to reopen over the coming weeks. Major infrastructure projects expected to reopen are the Queensferry Bridge, the road widening between Perth and Inverness, and the building of a dual carriageway in Aberdeen.

Elsewhere there are warnings in the press about rising costs due to on-site productivity challenges and construction material shortages. Our research picked up that it has become very difficult to get council planners to site and this is causing delays in the planning process.

In the planning pipeline, we have picked up several reports that companies haven’t won any new work since the start of the crisis.

The flow of information on material shortages has slowed greatly. This week we only picked up that one company is struggling to procure glass.

Site productivity continues to be mentioned as the single biggest challenge moving forward. As an example of the innovations being introduced, in the press this week it was reported that Bewley Homes is requiring its site workers to wear wristbands that alert the wearer when another wearer moves within 2 metres. Elsewhere, industry specialists have warned that technology will be unable to make up the productivity challenge caused by social distancing requirements.

Construction project information

This week the value of projects confirmed open or restarting has again increased significantly. The value of open projects has increased by £7.1bn, from £88.9bn to £96.0bn (£65.9bn to £73.0bn excluding Hinkley Point). The Residential sector has again seen the largest increases, however other sectors have also seen new sites confirmed open. The changes have been spread more fairly across the UK this week, with almost all regions contributing. The number of projects has increased by 303 to 2,777.

Of the above, restarted projects now number 1,508 and total £45.7bn. This week we have seen an increase of 282 projects with a value of £4.9bn.

The value of delayed projects has reduced by £6.3bn, a fall of 400 projects. We currently have 3,349 projects delayed with a value of £30.0bn. The Commercial and Retail sector has now overtaken Residential as the most delayed sector relative to its size.

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

New planning applications remain fairly robust at levels close to 2,000 per day compared to pre-Covid levels of around 2,100 per day. Decision updates remain more depressed than previously at around 2,000-2,500 per day compared to 3,500-4,000 per day previously.

Contract awards and new tenders remain very subdued compared to Q1 2020. Tenders remain at approximately 30% below pre-crisis levels and contract awards at -60%.

Confirmed projects remaining open

This week has seen a further significant increase in confirmed open projects. We have confirmed an additional 303 projects with a total value of £7.1bn. Total open projects now stand at £96.0bn, up from £88.9bn last week (from £65.9bn to £73.0bn excluding Hinkley Point). The number of projects has increased from 2,474 to 2,777.

Similarly to last week, the Residential sector has seen a further increase of £3.7bn and Infrastructure has increased by 2.3bn. Other sectors have seen smaller increases with Commercial and Retail increasing by 0.7bn, Education 0.2bn and Hotel and Leisure 0.1bn. The sectors with the lowest levels of delays (Industrial and Medical) have had negligible changes.

In the Residential sector, changes have been spread across the UK. Overall, the North West has the highest increase this week as we have confirmed £1.9bn of projects in the Infrastructure sector.

The table below shows the value of projects confirmed open by sector and region. Similarly to the tables above we have shaded the values in the table which have significantly fewer projects open (in red), moderately fewer open (in orange) and the most open (in green) compared to normal activity levels. Hinkley Point has been excluded from the data.

The most confirmed open projects (relative to the sector size) continue to be in the Medical sector, followed by the Residential sector. The Industrial sector continues to have the smallest open projects, followed by the Hotel and Leisure sector. Across the UK, London remains the highest number of open projects by a significant margin whereas the lowest levels of open projects remain 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	164	284	10	76	120	5	2,852	**3,510**
East of England	132	698	95	203	294	48	3,738	**5,208**
London	5,751	1,109	1,972	19	6,077	529	8,004	**23,462**
North East	62	139	65	331	108	18	1,824	**2,547**
North West	276	420	589	90	2,373	725	5,093	**9,566**
Scotland	49	327	33	33	3,433	393	2,003	**6,270**
South East	154	599	314	212	609	261	5,642	**7,790**
South West	58	167	129	99	165	11	3,611	**4,238**
Wales	18	295	100	8	100	294	824	**1,638**
West Midlands	123	367	124	18	800	430	3,095	**4,957**
Yorkshire & Humber	144	224	28	82	154	61	3,002	**3,695**
Great Britain	**a**	**4,655**	**3,457**	**1,195**	**14,250**	**2,780**	**39,745**	**73,012**

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)
Barratt & David Wilson Homes	252	5.5
Persimmon	253	4.7
Taylor Wimpey	187	3.3
Sir Robert McAlpine Limited	37	3.0
Siemens PLC	2	3.0
Multiplex	8	2.8
Lendlease	11	2.4
Vistry Group	153	2.4
Bellway Homes	149	2.3
Redrow Homes	95	2.1

Contractor	Number of projects	Value (£bn)
Mace	18	2.0
Wates	64	1.8
Laing O'Rourke	8	1.7
Countryside Properties	73	1.7
Bouygues	19	1.6
Balfour Beatty	11	1.6
Morgan Sindall	77	1.5
Doosan/Wood/KBR/Morgan Sindall	1	1.5
Keepmoat Homes	65	1.3
Crest Nicholson Plc	50	1.1

Projects returning to site

We have seen a further large increase of 282 restarted projects worth £4.9bn this week. The total now stands at £45.7bn, up from £40.8bn last week. The number of restarted projects has increased from 1,508 to 1,226.

This week the Residential sector has seen the largest value of returns of £3.5bn. The next largest increases are in the Commercial (£0.6bn), Infrastructure (£0.4bn), and Education (£0.2bn) sectors. The Hotel and Leisure, Industrial and Medical sectors have seen only small or negligible increases.

The changes have been more spread across the UK this week. London has seen 0.9bn of restarts, but Scotland (£0.7bn), South East (£0.7bn), East Midland (£0.5bn), Yorkshire (£0.4bn), West Midlands (£0.4bn) and the North East (£0.4bn) have also seen fairly significant rises.

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 significantly fewer projects restarted (in red), moderately fewer restarted (in orange) and the most restarted (in green) compared to normal activity levels.

The Residential sector has the greatest amount of projects returning to site by a distance, both by absolute value and relative size. The Industrial sector remains the sector with least restarted projects relative to its size, though it does have the lowest amount of delays. London has the highest level of restarted projects by a long way, followed by Scotland and the North East of England, with the rest of the UK at lower levels. The East Midlands, Yorkshire, Wales and the West Midlands have the lowest amount of restarted projects relative to their size.

Table 3: Value of projects restarted by sector and region

Restarted projects value (£m)	Commercial & Retail	Education	Hotel, Leisure & Sport	Industrial	Infrastructure	Medical & Health	Residential	All sectors
East Midlands	86	19	6	2	1	0	1,536	**1,649**
East of England	70	346	3	128	0	0	2,549	**3,096**
London	3,305	551	1,654	4	4,831	290	6,555	**17,190**
North East	62	55	28	325	86	0	1,436	**1,992**
North West	81	69	410	15	224	18	3,058	**3,875**
Scotland	49	324	33	32	3,433	60	1,860	**5,791**
South East	93	125	145	151	116	6	4,038	**4,673**
South West	55	8	26	3	88	7	2,474	**2,661**
Wales	17	77	0	0	89	0	454	**637**
West Midlands	0	70	0	1	2	6	2,069	**2,148**
Yorkshire & Humber	94	28	18	2	73	7	1,762	**1,983**
Great Britain	**3,911**	**1,671**	**2,323**	**662**	**8,961**	**394**	**27,804**	**45,727**

Delayed projects

This week we have seen a fall in delayed projects of £6.3bn. The total value of delayed projects is now £30.0bn, down from £36.3bn last week. The number of projects delayed have decreased by 400, from 3,749 to 3,349.

As in previous weeks the Residential sector has seen the largest fall in delays, with a reduction of £4.5bn. The next larges falls are in the Commercial and Retail (£0.9bn), Infrastructure (£0.7bn) and Education (£0.3bn). The Industrial sector saw an increase of £0.3bn as we picked up a delayed project in the South East.

The table below shows the value of delayed projects 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.

Scotland remains the outlier in terms of remaining delays. Among the rest of the UK, the areas with the lowest amount of delays relative to their size are Yorkshire, the North East, the North West, the East Midlands and Wales.

After several weeks of Residential projects returning to site, the Commercial and Retail sector now has the largest amount of remaining delays relative to its size. 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	60	100	336	107	26	816	**1,538**
East of England	158	180	109	139	258	13	1,057	**1,913**
London	2,285	398	348	92	229	76	1,830	**5,258**
North East	31	94	34	13	38	2	289	**500**
North West	174	135	244	122	174	49	1,150	**2,048**
Scotland	667	950	584	240	3,878	36	4,377	**10,730**
South East	200	225	126	525	425	42	1,162	**2,705**
South West	143	163	177	89	109	51	932	**1,665**
Wales	17	86	28	80	75	13	244	**543**
West Midlands	104	170	108	253	608	4	643	**1,890**
Yorkshire & Humber	138	42	69	154	152	43	593	**1,192**
Great Britain	**4,013**	**2,514**	**1,927**	**2,043**	**6,053**	**354**	**13,103**	**30,008**

Next steps

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