



CITB ANALYSIS AND FORECASTING

**5-year
Outlook**
2021-2025

Construction Skills Network

Labour Market Intelligence Report



**East
Midlands**

The annual recruitment requirement in the East Midlands of 2.3% per year, means an extra 19,000 workers are needed between the end of 2020 and 2025.

The annual recruitment requirement in East Midlands

2.3%

Amount of new workers that are needed between 2020 and 2025

19,000

Macroeconomic backdrop

The outlook for most of the economy looks much more positive, as confidence rises amid a successful vaccine rollout, declining Covid-19 infection rates and the government continuing to follow its 'roadmap out of lockdown' that involves return to some normality. For instance, YouGov/Centre for Economics and Business Research's Consumer Confidence Index in April 2021 recorded its highest score in almost three years, at 108.5. The index score of above 100 suggests that more consumers are confident than not, and this is being driven by recent business activity in the workplace as the economy gradually reopens. Rising confidence should result in greater prospect for spending and therefore expediting economic recovery from the recession.

Construction is no exception to optimism about the future, with IHS Markit/CIPS' Construction Future Activity Index averaging a score of 73.4 in the first three months of 2021. A score of above 50.0 suggests that the construction industry expects growth over the coming 12 months. Most of this optimism results from continued resumption of works that

were previously paused during previous lockdown restrictions and an expected rise in sales, as the economy continues to reopen and lockdown restrictions ease. As construction output keeps recovering in 2021 the industry's confidence should remain positive.

These positive points could reduce the risk of business insolvency in the near-term. Ernst & Young's 2020 Profit Warnings report suggests that most of construction's 33 'profit warnings', when a publicly listed company reports profits materiality below expectations, came from the commercial sector. Structural changes impacted commercial work during 2020, with reduced demand for office space arising from remote working and an ongoing shift towards online shopping impacting retail space, and these changes pose near-term uncertainty for this sector. The risk for the commercial sector is that its number of insolvencies could rise as government support winds down in 2021.

A swift recovery could present a risk of price pressures for construction and the wider economy. Although inflation is currently low (0.4% in February 2021), we expect inflation to rise to 2% by the end of 2021 as pent-up demand pushes up prices. Construction has recently faced rising material prices, also driven by:

- Difficulties in obtaining materials during the pandemic
- Import tariffs
- Depressed sterling rates.

While some of these factors could be temporary, ongoing price pressures for construction are likely, especially due to potential supply shortages. The Royal Institute of Chartered Surveyors forecast that construction materials prices will rise by 22% between Q3 2020 and Q3 2025, which could pose some challenges for the industry, e.g., through uncertainty about future profits and costs that in turn impact investment levels.

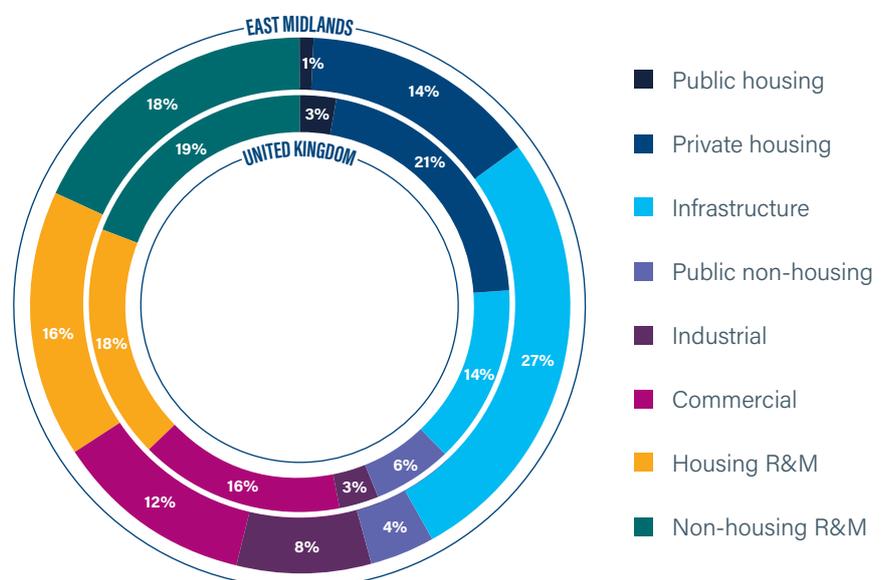
Lastly, there are non-economic challenges for the wider economy and several industries, including construction. These include a potential third wave of Covid-19 infection rates resulting from relaxed social distancing restrictions during summer 2021 and increased international travel that might result in further Covid-19 variants. Such challenges could also lead to additional lockdown measures during autumn 2021 and onwards, which could create a dent in wider economic and construction recovery.

Structure

The construction industry in the East Midlands has a slight variation in structure when compared to the UK view, with infrastructure and industrial having larger shares, whereas private housing has a smaller share. However, infrastructure, housing and commercial are all important sources of new work, while repair and maintenance accounts for a third of all construction work in the East Midlands.

CONSTRUCTION INDUSTRY STRUCTURE 2020, EAST MIDLANDS VS UK

Source: ONS, Experian

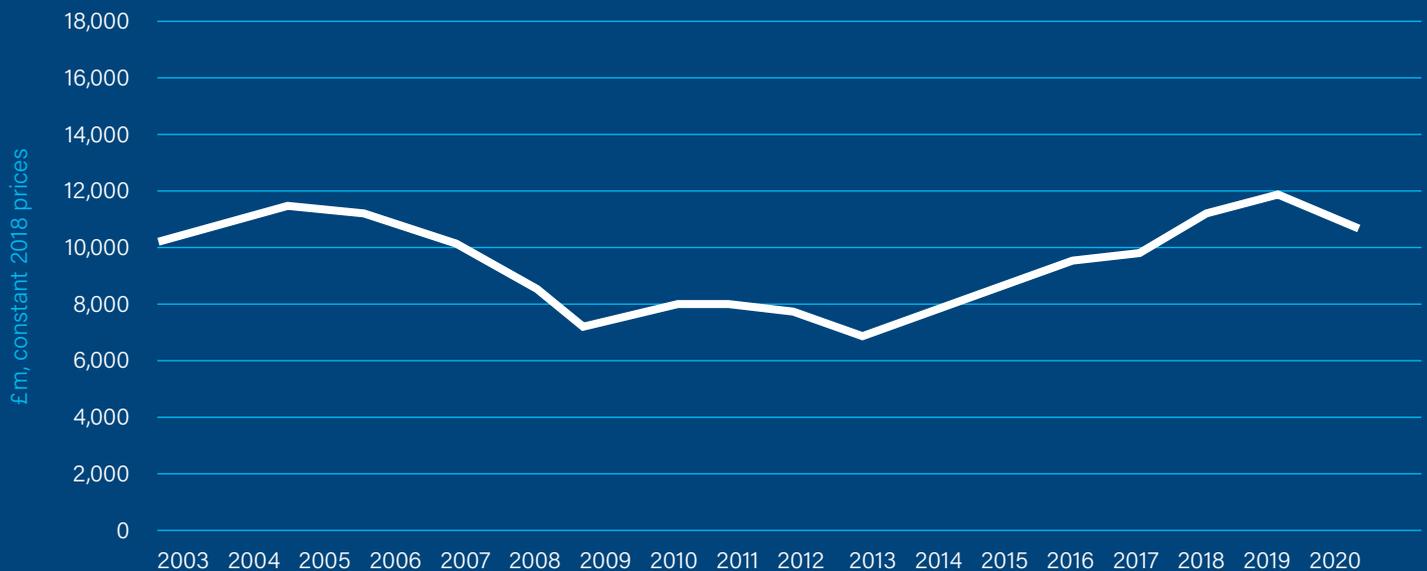


2020 view

2020 has been a challenging year for construction in the East Midlands, with annual output dropping by around 11% when compared to 2019. We expect to see a steady recovery in output from 2021, although this depends on the success in controlling Covid-19.

CONSTRUCTION OUTPUT 2003 - 2020 EAST MIDLANDS

Source: ONS



Output forecast 2021 - 2025

East Midlands average growth rate

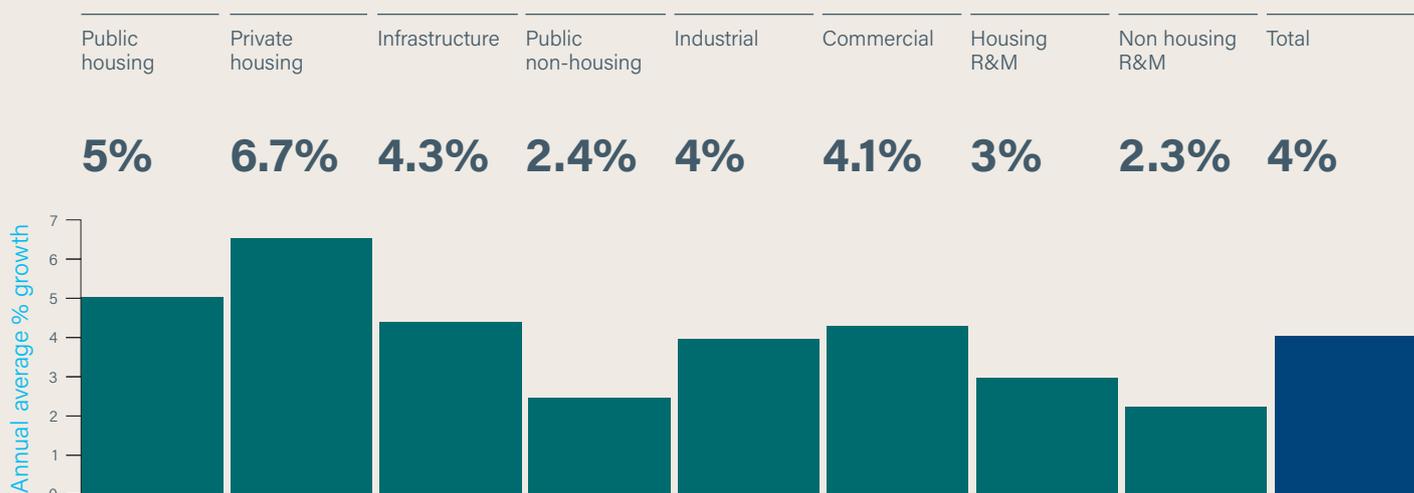
The volume of work will grow by an annual average rate of about 4.0% for the East Midlands, which is below the UK forecast of 4.4%. Private housing is expected to have the fastest sector and we forecast for this region's construction output to achieve its pre-Covid-19 levels by 2022.

6.7% annual average growth is forecasted for private housing work from the end of 2020 to the end of 2025, which is on par with its UK average.

4.0%

Forecast

FORECAST ANNUAL AVERAGE OUTPUT GROWTH BY SECTOR 2021-2025 EAST MIDLANDS



Source: Experian Ref: CSN Explained, Section 4, Note 2

CONSTRUCTION OUTPUT - EAST MIDLANDS (£ MILLION, 2018 PRICES)

	Actual	Forecast (Annual % change, real terms)					Annual average
	2020	2021	2022	2023	2024	2025	2020-2025
Public Housing	142	15.2%	2.1%	2.5%	3.5%	2.2%	5%
Private Housing	1,463	22.2%	4.4%	3.2%	2.3%	2.7%	6.7%
Infrastructure	2,888	7%	3.7%	1.4%	5.3%	4%	4.3%
Public Non-housing	445	6.4%	0.7%	2.1%	1.9%	1%	2.4%
Industrial	850	9%	2.9%	3.2%	3.1%	2.2%	4%
Commercial	1,206	5%	3.5%	3.7%	4.6%	3.9%	4.1%
New Work	6,993	10.2%	3.5%	2.5%	4%	3.2%	4.6%
Housing R&M	1,690	9.1%	0.9%	2.2%	1.7%	1.5%	3%
Non-housing R&M	1,899	4.3%	2%	2.1%	1.3%	1.6%	2.3%
Total R&M	3,589	6.6%	1.5%	2.2%	1.5%	1.6%	2.6%
Total Work	10,582	9%	2.8%	2.4%	3.1%	2.7%	4%

The annual average growth rate is the rate of growth between the end of 2020 and the end of 2025, i.e., five-year period.

Source: Experian Ref: CSN Explained, Section 4, Note 2

The East Midlands lacks major infrastructure projects that are driving strong expansion elsewhere in the UK. In the near-term we expect the region to see some benefit from ongoing work on the £235m HMP Wellingborough prison as well as substantial housebuilding in Nottinghamshire. Thousands of homes are being built across Nottinghamshire and

plans are in place for a number of new estates. More than 65,000 homes need to be built in the next few years and strict targets have been set for each local council. In Fairham Pastures, near East Leake, outline approval has been granted for the construction of around 3,000 new homes as part of a £750m project covering 606 acres. In the industrial sector, brick producer

Foretta is moving ahead with its £95m project to double production capacity at its Desford plant in Leicestershire. The development is progressing to plan with work on preparing the building foundation commencing.

The level of output growth in the East Midlands gives an annual average increase of 1.7% in the construction workforce, which exceeds the UK-wide equivalent at 1.0%. This means that the estimated workforce of 165,900 at the end of 2020 is set to increase to 180,100 by the end of 2025, which exceeds its 2019 levels by 1.2%.

TOTAL WORKFORCE BY OCCUPATION - EAST MIDLANDS	Actual	Estimate	Forecast	
	2020	2021	2022	2025
Senior, executive and business process managers	11,200	11,700	11,800	11,900
Construction Project Managers	2,500	2,600	2,600	2,700
Other construction process managers	16,600	17,300	17,400	17,900
Non-construction professional, technical, IT and other office-based staff	20,500	21,400	21,800	22,200
Construction Trades Supervisors	1,900	2,000	2,000	2,100
Wood trades and interior fit-out	14,700	15,400	15,500	15,900
Bricklayers	4,900	5,500	5,600	5,700
Building envelope specialists	6,300	6,900	7,000	7,200
Painters and decorators	6,600	6,800	6,800	6,800
Plasterers	4,800	5,000	5,000	5,100
Roofers	1,400	1,500	1,500	1,400
Floorers	1,300	1,300	1,300	1,300
Glaziers	3,400	3,500	3,500	3,500
Specialist building operatives nec*	5,700	5,800	5,700	5,500
Scaffolders	500	500	500	500
Plant operatives	4,500	4,500	4,800	4,900
Plant mechanics/fitters	3,200	3,400	3,400	3,500
Steel erectors/structural fabrication	1,500	1,500	1,600	1,700
Labourers nec*	6,600	6,800	7,000	7,200
Electrical trades and installation	12,800	13,500	13,600	14,200
Plumbing and HVAC Trades	11,200	11,500	11,500	11,300
Logistics	1,700	1,800	1,800	1,900
Civil engineering operatives nec*	1,400	1,400	1,500	1,600
Non construction operatives	2,900	3,100	3,100	3,300
Total (SIC 41-43)	148,100	154,600	156,500	159,200
Civil engineers	3,700	3,700	4,000	4,200
Other construction professionals and technical staff	9,000	9,700	9,900	10,300
Architects	900	1,000	1,000	1,100
Surveyors	4,300	4,900	5,100	5,400
Total (SIC 41-43, 71.1, 74.9)	165,900	173,900	176,400	180,100

Source: ONS, CSN, Experian Reference: CSN Explained, Section 4, Notes 5 and 6

* Not elsewhere classified

Annual Recruitment Requirement (ARR)

The East Midlands exceeds the UK on the level of annual average recruitment requirement based on 2020 workforce levels, at 2.3% per year. This means the East Midlands construction industry would have to increase current recruitment by 3,800 new workers each year to deliver the expected work between the end periods of 2020 and 2025.

The following occupations have some of the strongest recruitment requirement levels:

- Other construction process managers (750 per year)
- Wood trades and interior fit-out (550 per year)
- Non-construction professional, technical, IT, and other office-based staff (400 per year).

However, there would also be particular pressure on architects, construction trades supervisors, surveyors, plant mechanics/fitters, bricklayers and painters and decorators where demand is high compared to their workforce level. For occupations that have no value, indication is that recent levels of recruitment will be able to meet future need if they are maintained.

ANNUAL RECRUITMENT REQUIREMENT BY OCCUPATION - EAST MIDLANDS

	ARR	ARR as % of 2020 workforce
Senior, executive and business process managers	-	-
Construction Project Managers	-	-
Other construction process managers	750	4.5%
Non-construction professional, technical, IT and other office-based staff	400	1.9%
Construction Trades Supervisors	100	5.9%
Wood trades and interior fit-out	550	3.9%
Bricklayers	250	5.5%
Building envelope specialists	150	2.5%
Painters and decorators	350	5.3%
Plasterers	50	1.5%
Roofers	<50	-
Floorers	<50	-
Glaziers	<50	-
Specialist building operatives nec*	<50	-
Scaffolders	-	-
Plant operatives	200	4.9%
Plant mechanics/fitters	200	5.6%
Steel erectors/structural fabrication	-	-
Labourers nec*	100	1.5%
Electrical trades and installation	-	-
Plumbing and HVAC Trades	100	1.0%
Logistics	100	4.7%
Civil engineering operatives nec*	-	-
Total (SIC 41-43)	3,350	
Civil engineers	-	-
Other construction professionals and technical staff	100	1.1%
Architects	100	9.1%
Surveyors	250	5.8%
Total (SIC 41-43, 71.1, 74.9)	3,800	2.3%

Source: ONS, CSN, Experian Reference: CSN Explained, Section 4, Notes 5 and 6

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Note: values may not sum to totals due to rounding



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