



CITB ANALYSIS AND FORECASTING

Construction Skills Network

Labour Market Intelligence Report

5-year
Outlook

2021-2025

East of
England



Private housing and infrastructure works are the strongest contributors to the region's 4.2% annual average growth in construction output across the five-year forecast. 17,000 new workers will be required.

The annual recruitment requirement in East of England

1.2%

Amount of new workers that are needed between 2020 and 2025

17,000

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.

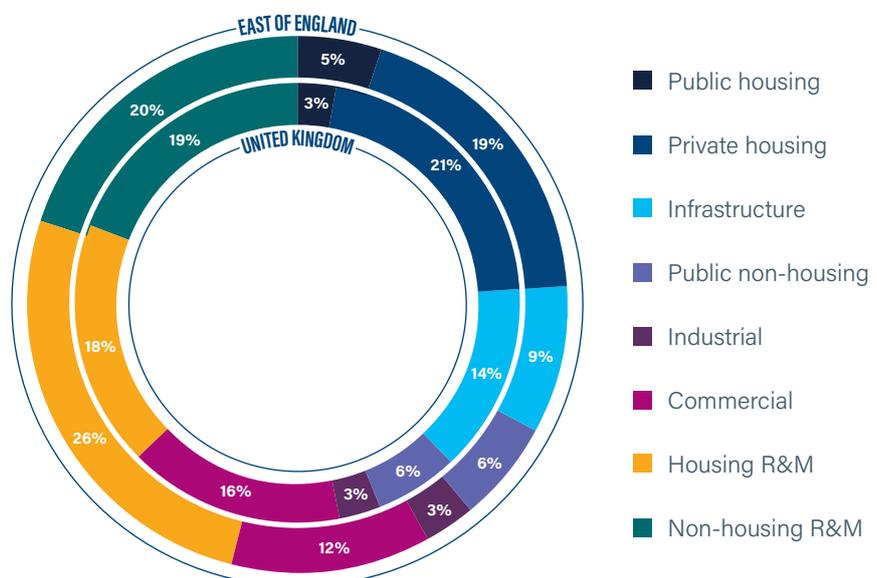
Lastly, there are non-economic challenges for the wider economy and several industries, including construction. These include a potential third wave of Covid-19 infection rates resulting from relaxed social distancing restrictions during summer 2021 and increased international travel that might result 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 of England has a similar variation in structure when compared to the UK view, with R&M sectors having a larger share, whereas infrastructure has a smaller share. However, infrastructure, housing and commercial are all important sources of new work, while repair and maintenance accounts for over two-fifths of all construction work in the East of England.

CONSTRUCTION INDUSTRY STRUCTURE 2020, EAST OF ENGLAND VS UK

Source: ONS, Experian

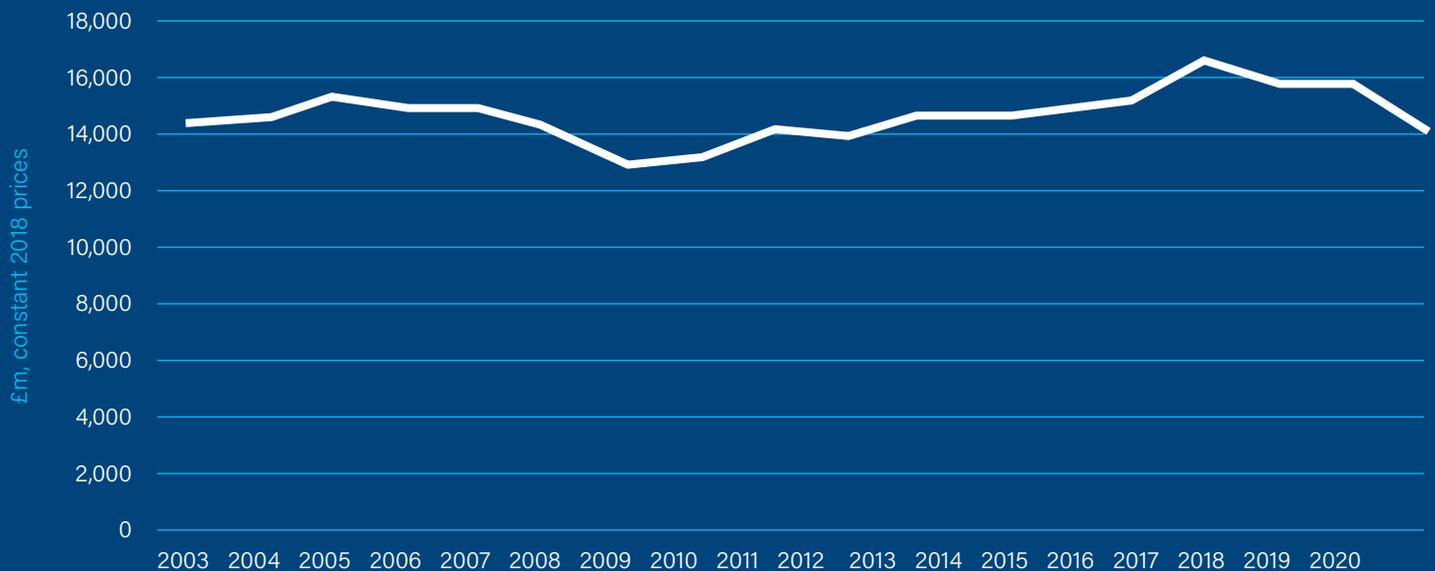


2020 view

2020 has been a challenging year for construction in the East of England, with annual output dropping by around 12% 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 OF ENGLAND

Source: ONS



Output forecast 2021 - 2025

The East of England is forecasted to grow at an annual average rate of 4.2%, which is below the UK forecast. Private housing and infrastructure are expected to have the fastest sector growth and we forecast for this region's construction output to achieve its pre-Covid-19 levels by 2023. Private housing growth is forecasted at annual average rate of 6.5% and infrastructure at 6.3% from the end of 2020 to the end of 2025, with the latter exceeding its UK average.

East of England average growth rate

4.2%

Forecast

FORECAST ANNUAL AVERAGE OUTPUT GROWTH BY SECTOR, 2021-2025 EAST OF ENGLAND



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

CONSTRUCTION OUTPUT - EAST OF ENGLAND (£ MILLION, 2018 PRICES)

	Actual	Forecast (Annual % change, real terms)					Annual average
	2020	2021	2022	2023	2024	2025	2020-2025
Public Housing	685	9.5%	4%	4.7%	4.4%	2.5%	5%
Private Housing	2,657	22.2%	4.4%	2.3%	2.3%	2.7%	6.5%
Infrastructure	1,243	8%	3.7%	0.9%	10.3%	8.9%	6.3%
Public Non-housing	798	5.4%	2.7%	3.1%	2.9%	2%	3.2%
Industrial	479	9.9%	4.8%	1.2%	0.1%	-0.7%	3%
Commercial	1,690	7.8%	4.5%	2.7%	2.6%	2.9%	4.1%
New Work	7,552	12.9%	4.1%	2.4%	3.7%	3.5%	5.3%
Housing R&M	3,674	9.1%	1.8%	3.2%	1.8%	1.5%	3.5%
Non-housing R&M	2,870	4.3%	1%	2.2%	1.3%	1.6%	2.1%
Total R&M	6,544	7%	1.5%	2.8%	1.6%	1.6%	2.9%
Total Work	14,097	10.2%	2.9%	2.6%	2.8%	2.6%	4.2%

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

Private housing works include the planned £300m 2,000-home Brightwell Lakes development in Martlesham Heath, Suffolk. Also, Cambridge City Council aims to deliver 200 homes, including at least 90 affordable homes.

There are several infrastructure works in the pipeline, which includes the East Anglia windfarm projects and the £1.4bn A14 upgrade in the near-term.

The Lower Thames Crossing Point project (a road link between Kent and Essex) had been opened for tender by Highways England, with the £2bn package including

the design and construction of twin-road tunnels. This bid will be resubmitted in April 2021, with main works on the mega projects set to begin in mid-2022, and end by 2027. This poses a potential upside to the forecast for the East of England with the second half of the forecast horizon potentially seeing a considerable boost if the bid is successful.

Furthermore, in September 2020, South Cambridgeshire District Council approved the first phase of the Huawei Campus, a £1bn optoelectronics R&D and manufacturing centre in Cambridge. Work is set to start at the end of April.

Peterborough council granted planning permission for an energy solar park that is set to consist of 5,800 solar panels as well as other battery storage facilities. This plant is now set to open in 2022.

Over the near-term public non-housing output should benefit from work starting on Public Health England's science campus in Harlow. Work on the £1bn Stevenage town centre regeneration project began in 2019 and once complete there will be new restaurants, bars, shops and sports and leisure facilities.

The level of output growth in the East of England gives an annual average increase of 0.1% in the construction workforce, which is significantly below the UK-wide equivalent of 1.0%. However, the East of England's annual average growth rate reflects that workforce growth is coming from a strong baseline in 2020.

TOTAL WORKFORCE BY OCCUPATION – EAST OF ENGLAND

	Actual	Estimate	Forecast	
	2020	2021	2022	2025
Senior, executive and business process managers	22,700	21,700	21,700	21,800
Construction Project Managers	4,100	3,900	3,900	3,900
Other construction process managers	23,300	22,300	22,500	22,700
Non-construction professional, technical, IT and other office-based staff	38,500	37,200	37,700	38,400
Construction Trades Supervisors	4,800	4,700	4,800	5,100
Wood trades and interior fit-out	25,300	24,300	24,500	24,900
Bricklayers	8,700	8,800	9,000	9,200
Building envelope specialists	12,200	12,000	12,300	12,800
Painters and decorators	9,400	8,900	9,000	9,100
Plasterers	5,700	5,500	5,500	5,600
Roofers	4,900	4,600	4,600	4,600
Floorers	3,500	3,300	3,300	3,300
Glaziers	2,500	2,400	2,400	2,400
Specialist building operatives nec*	4,400	4,000	4,000	3,800
Scaffolders	2,900	2,700	2,600	2,600
Plant operatives	3,200	2,900	3,100	3,500
Plant mechanics/fitters	2,900	2,800	2,900	2,800
Steel erectors/structural fabrication	2,000	1,900	2,000	2,200
Labourers nec*	15,400	14,900	15,200	15,800
Electrical trades and installation	17,800	17,200	17,400	18,000
Plumbing and HVAC Trades	18,500	17,400	17,400	17,300
Logistics	3,200	3,100	3,100	3,200
Civil engineering operatives nec*	1,300	1,200	1,300	1,500
Non construction operatives	2,700	2,600	2,700	2,700
Total (SIC 41-43)	239,800	230,300	232,800	237,300
Civil engineers	6,800	6,400	6,800	7,800
Other construction professionals and technical staff	20,000	20,000	20,400	21,000
Architects	5,100	5,200	5,400	5,700
Surveyors	4,600	4,700	4,800	5,100
Total (SIC 41-43, 71.1, 74.9)	276,200	266,500	270,200	277,000

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

* Not elsewhere classified

The East of England was one of few regions not to experience a decline in its construction workforce during 2020 when the wider industry was impacted by Covid-19. The reasons for this include:

- The Coronavirus Job Retention Scheme and the Self-Employment Income Support Scheme measures helped mitigate job losses that would have occurred in their absence

- Working from home, where possible
- Working locally instead of travelling to nearby regions, due to travel restrictions during lockdown measures.

2020 has been an atypical year for judging the relationships between construction output and workforce, and it is not unreasonable to presume that revisions will be made to datasets

on workforce numbers for the period 2021-22 as official surveys catch up with changes to the structure of the workforce brought about the pandemic, and as government support schemes wind down and eventually end.

This means that East of England's estimated workforce of 276,200 at the end of 2020 is set to increase to 277,000 by the end of 2025, which exceeds its 2019 levels by 8.9%.

Annual Recruitment Requirement (ARR)

The East of England is below the UK on the level of annual average recruitment requirement based on 2020 workforce levels, at 1.2% per year. This means the East of England's construction industry would have to increase current recruitment by 3,400 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:

- Non-construction professional, technical, IT, and other office-based staff (950 per year)
- Wood trades and interior fit-out (700 per year)
- Plasterers (350 per year).

However, there would also be some pressure on steel erectors / structural fabrication, architects, civil engineers and civil engineering operatives nec 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 OF ENGLAND

	ARR	ARR as % of 2020 workforce
Senior, executive and business process managers	-	-
Construction Project Managers	-	-
Other construction process managers	-	-
Non-construction professional, technical, IT and other office-based staff	950	2.5%
Construction Trades Supervisors	-	-
Wood trades and interior fit-out	700	2.7%
Bricklayers	<50	-
Building envelope specialists	250	2.1%
Painters and decorators	-	-
Plasterers	350	6.3%
Roofers	-	-
Floorers	-	-
Glaziers	-	-
Specialist building operatives nec*	-	-
Scaffolders	-	-
Plant operatives	<50	-
Plant mechanics/fitters	-	-
Steel erectors/structural fabrication	100	6.0%
Labourers nec*	-	-
Electrical trades and installation	-	-
Plumbing and HVAC Trades	-	-
Logistics	-	-
Civil engineering operatives nec*	50	4.7%
Total (SIC 41-43)	2,450	
Civil engineers	350	5%
Other construction professionals and technical staff	350	1.7%
Architects	300	5.5%
Surveyors	-	-
Total (SIC 41-43, 71.1, 74.9)	3,400	1.2%

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



For more information about the Construction Skills Network, contact:

Daniyal Rehman

Industry Analyst

Daniyal.Rehman@citb.co.uk

