



CITB ANALYSIS AND FORECASTING

**5-year  
Outlook**  
2021-2025

# Construction Skills Network

Labour Market Intelligence Report

**North  
West**



Private housing and commercial works are the main drivers behind the North West's 4.5% annual average growth in construction output. 23,500 new workers will be required.

The annual recruitment requirement in North West

**1.7%**

Amount of new workers that are needed between 2020 and 2025

**23,500**

## 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.

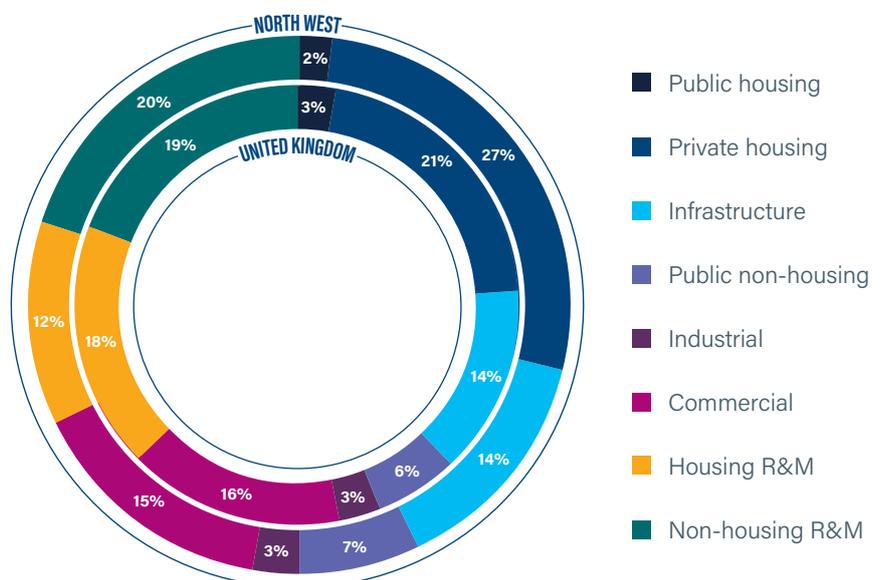
Lastly, there are non-economic challenges for the wider economy and several industries, including construction. These include a potential third wave of Covid-19 infection rates resulting from relaxed social distancing restrictions during summer 2021 and increased international travel that might result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

### CONSTRUCTION INDUSTRY STRUCTURE 2020, NORTH WEST VS UK

Source: ONS, Experian

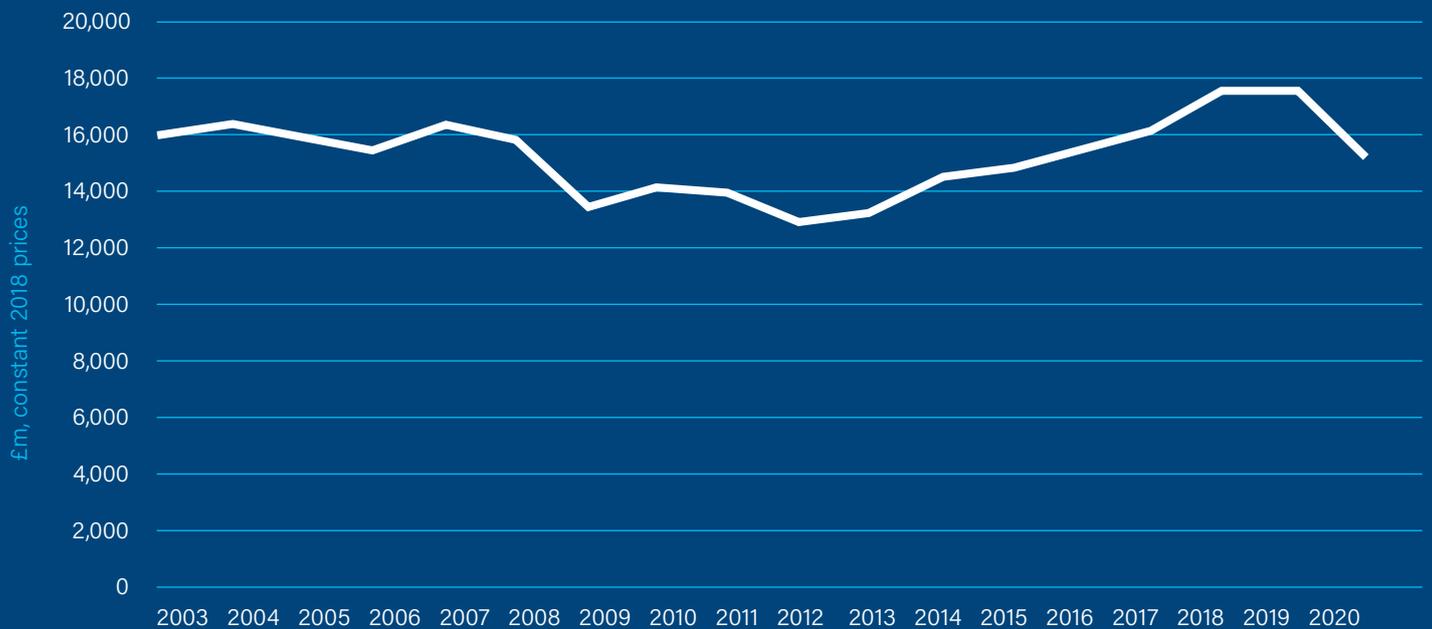


# 2020 view

The North West had the steepest regional decline in annual output between 2019 and 2020, by around 16%. 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 NORTH WEST

Source: ONS



## Output forecast 2021 - 2025

The North West is forecasted to grow at an annual average rate of 4.5%, which is slightly above the UK forecast of 4.4%. Private housing and commercial 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 2024.

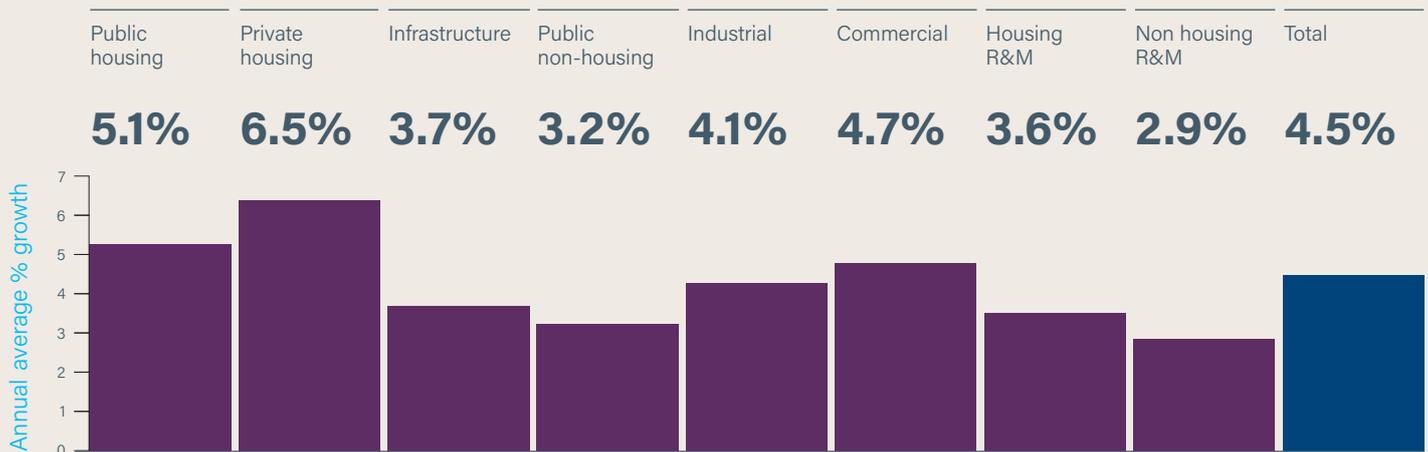
Private housing growth is forecasted at annual average rate of 6.5% and commercial at 4.7% from the end of 2020 to the end of 2025, with the latter exceeding its UK average.

North West average growth rate

# 4.5%

# Forecast

## FORECAST ANNUAL AVERAGE OUTPUT GROWTH BY SECTOR 2021-2025 NORTH WEST



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

## CONSTRUCTION OUTPUT - NORTH WEST (£ MILLION, 2018 PRICES)

	Actual 2020	Forecast (Annual % change, real terms)					Annual average 2020-2025
		2021	2022	2023	2024	2025	
Public Housing	375	16.2%	5%	2.5%	1.5%	1.2%	5.1%
Private Housing	4,133	21.1%	6.4%	2.3%	2.3%	1.7%	6.5%
Infrastructure	2,152	6%	2.7%	1.4%	5.3%	3.1%	3.7%
Public Non-housing	1,115	9.4%	3.6%	2.1%	0.9%	0%	3.2%
Industrial	462	8%	4.8%	3.2%	3.1%	1.3%	4.1%
Commercial	2,258	6.8%	6.4%	3.7%	3.6%	2.9%	4.7%
<b>New Work</b>	<b>10,494</b>	<b>12.9%</b>	<b>5.3%</b>	<b>2.4%</b>	<b>3%</b>	<b>2%</b>	<b>5.1%</b>
Housing R&M	1,821	10.2%	2.8%	2.2%	1.8%	1.3%	3.6%
Non-housing R&M	3,139	5.3%	3%	2.1%	2.4%	1.6%	2.9%
<b>Total R&amp;M</b>	<b>4,959</b>	<b>7.1%</b>	<b>2.9%</b>	<b>2.2%</b>	<b>2.2%</b>	<b>1.5%</b>	<b>3.2%</b>
<b>Total Work</b>	<b>15,453</b>	<b>11.1%</b>	<b>4.5%</b>	<b>2.3%</b>	<b>2.7%</b>	<b>1.9%</b>	<b>4.5%</b>

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

In the North West, works across the forecast period include a £1.5bn mixed-use brownfield development led by U&I that will provide 1,500 homes, a 300-bed hotel and 2.3 million square feet of office space by 2022. The Mersey Tidal Power project is set to move into its next phases of planning, with the project proposed to start in 2022. This will present an upside risk to the forecast, given the project is expected to be multi-billion-pound territory. Proceeding with this timeline, the medium to long-term outlook will see a boost from this project.

Furthermore, construction has started on the £207m Preston Western Distributor and associated link roads for completion in 2023. The full plans for the £365m Cotton Quay Scheme development in Salford have been submitted. The plans seek permission for the construction of buildings of 37 and 48 storeys, respectively, housing 25,000 square feet of retail and, or commercial space, as well as 491 homes.

In the public non-housing sector, Laing O'Rourke has put social distancing

measures in place that has allowed work to continue on the new Royal Liverpool Hospital. However, the hospital that was originally meant to open in 2017 is now expected to fully open in 2022 at the earliest, though three specialist wards were opened earlier to accommodate Covid-19 patients.

The level of output growth in the North West gives an annual average increase of 0.8% in the construction workforce, which is below the UK-wide equivalent of 1.0%. However, the North West's mild annual average growth rate reflects that workforce growth is coming from a strong baseline in 2020.

## TOTAL WORKFORCE BY OCCUPATION - NORTH WEST

	Actual	Estimate	Forecast	
	2020	2021	2022	2025
Senior, executive and business process managers	19,400	19,400	19,600	19,700
Construction Project Managers	4,500	4,500	4,600	4,600
Other construction process managers	23,600	23,700	24,000	24,400
Non-construction professional, technical, IT and other office-based staff	37,800	38,300	39,000	39,300
Construction Trades Supervisors	4,100	4,200	4,300	4,500
Wood trades and interior fit-out	23,700	23,900	24,100	24,600
Bricklayers	9,700	10,200	10,500	10,500
Building envelope specialists	6,400	6,800	7,000	7,200
Painters and decorators	11,300	11,200	11,200	11,300
Plasterers	5,600	5,600	5,700	5,800
Roofers	6,000	5,900	5,900	5,800
Floorers	3,800	3,800	3,800	3,800
Glaziers	3,600	3,500	3,500	3,500
Specialist building operatives nec*	5,900	5,700	5,600	5,500
Scaffolders	3,200	3,200	3,200	3,200
Plant operatives	5,700	5,400	5,600	5,500
Plant mechanics/fitters	5,200	5,300	5,400	5,400
Steel erectors/structural fabrication	2,300	2,200	2,300	2,400
Labourers nec*	14,500	14,600	14,900	15,200
Electrical trades and installation	20,500	20,800	21,200	22,000
Plumbing and HVAC Trades	17,000	16,800	16,800	16,600
Logistics	2,500	2,500	2,600	2,600
Civil engineering operatives nec*	1,500	1,400	1,500	1,600
Non construction operatives	4,300	4,400	4,500	4,600
<b>Total (SIC 41-43)</b>	<b>242,000</b>	<b>243,400</b>	<b>246,500</b>	<b>249,700</b>
Civil engineers	6,400	6,200	6,400	6,800
Other construction professionals and technical staff	25,300	26,400	27,100	27,600
Architects	3,800	4,000	4,200	4,400
Surveyors	5,900	6,300	6,600	6,900
<b>Total (SIC 41-43, 71.1, 74.9)</b>	<b>283,500</b>	<b>286,300</b>	<b>290,800</b>	<b>295,300</b>

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

\* Not elsewhere classified

The North West 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 by the pandemic, and as government support schemes wind down and eventually end.

This means that the estimated workforce in the North West of 283,500 at the end of 2020 is set to increase to 295,300 by the end of 2025, which exceeds its 2019 levels by 6.3%.

# Annual Recruitment Requirement (ARR)

**The North West is marginally above the UK on the level of annual average recruitment requirement based on 2020 workforce levels, at 1.7% per year. This means the North West construction industry would have to increase current recruitment by 4,700 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 (1,150 per year)
- Wood trades and interior fit-out (800 per year)
- Other construction process managers (700 per year).

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 - NORTH WEST

	ARR	ARR as % of 2020 workforce
Senior, executive and business process managers	150	0.7%
Construction Project Managers	<50	-
Other construction process managers	700	3%
Non-construction professional, technical, IT and other office-based staff	1,150	3%
Construction Trades Supervisors	<50	-
Wood trades and interior fit-out	800	3.4%
Bricklayers	-	-
Building envelope specialists	50	1.1%
Painters and decorators	<50	-
Plasterers	-	-
Roofers	-	-
Floorers	50	1.3%
Glaziers	-	-
Specialist building operatives nec*	50	1.2%
Scaffolders	50	1.5%
Plant operatives	<50	-
Plant mechanics/fitters	-	-
Steel erectors/structural fabrication	<50	-
Labourers nec*	300	2%
Electrical trades and installation	400	1.8%
Plumbing and HVAC Trades	100	0.7%
Logistics	-	-
Civil engineering operatives nec*	<50	-
<b>Total (SIC 41-43)</b>	<b>3,800</b>	
Civil engineers	100	1.7%
Other construction professionals and technical staff	650	2.5%
Architects	<50	-
Surveyors	150	3.5%
<b>Total (SIC 41-43, 71.1, 74.9)</b>	<b>4,700</b>	<b>1.7%</b>

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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