



The Suppliers View of Construction Activity

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Big Issues for our members

| THE ECONOMY | | |
|------------------------------------|------------------------|----------------------------|
| Sustainability | Industry Structure | Broader Trends |
| Carbon | Energy | Costs of Construction |
| Resource Efficiency | Fuel Costs | Design & Housing programme |
| Finance – incentivising investment | Finance (availability) | Emerging Economies |

2012 Economic Growth?



- Q1 GDP - 0.3%
- Q2 GDP - 0.4%



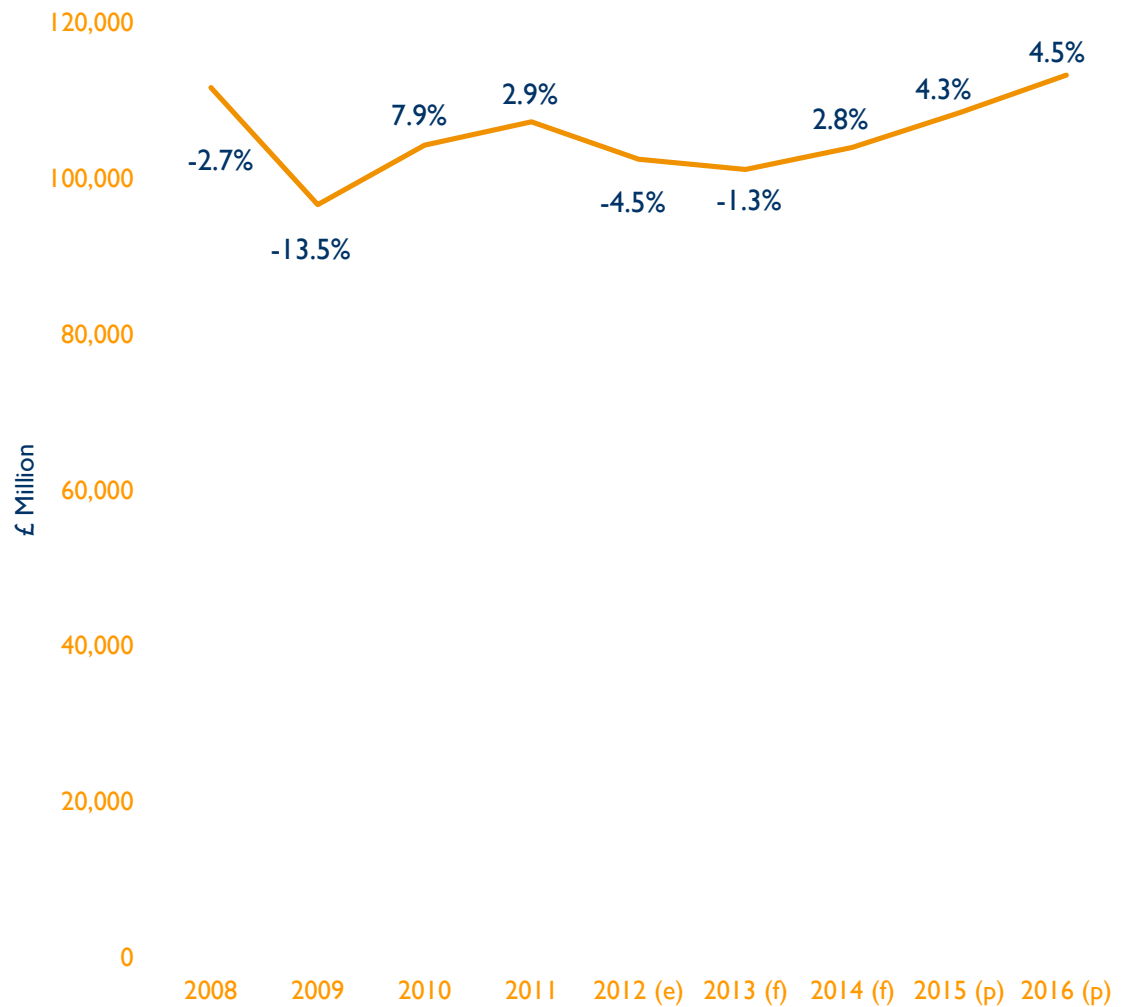
- Q1 ind production - 0.2%
- Q2 ind production - 0.7%



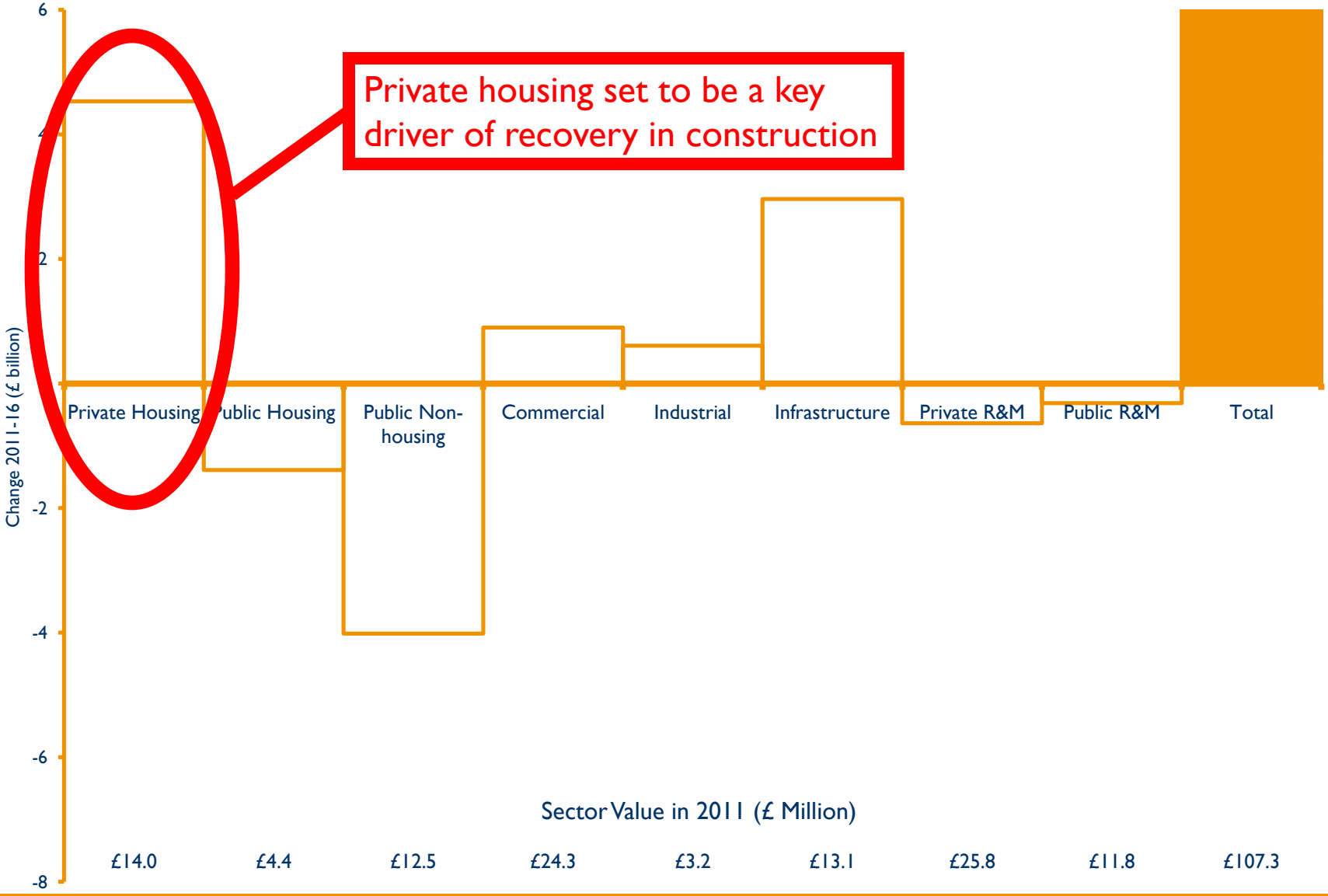
- 2011 - Largest fall in RHDI in 30 years

Construction – Fall in 2012, No ‘Real’ Growth until 2014

- Contraction in 2012 & 2013
- Three years of consecutive growth from 2014
- Output in 2016 not even back to 2007 levels despite this growth

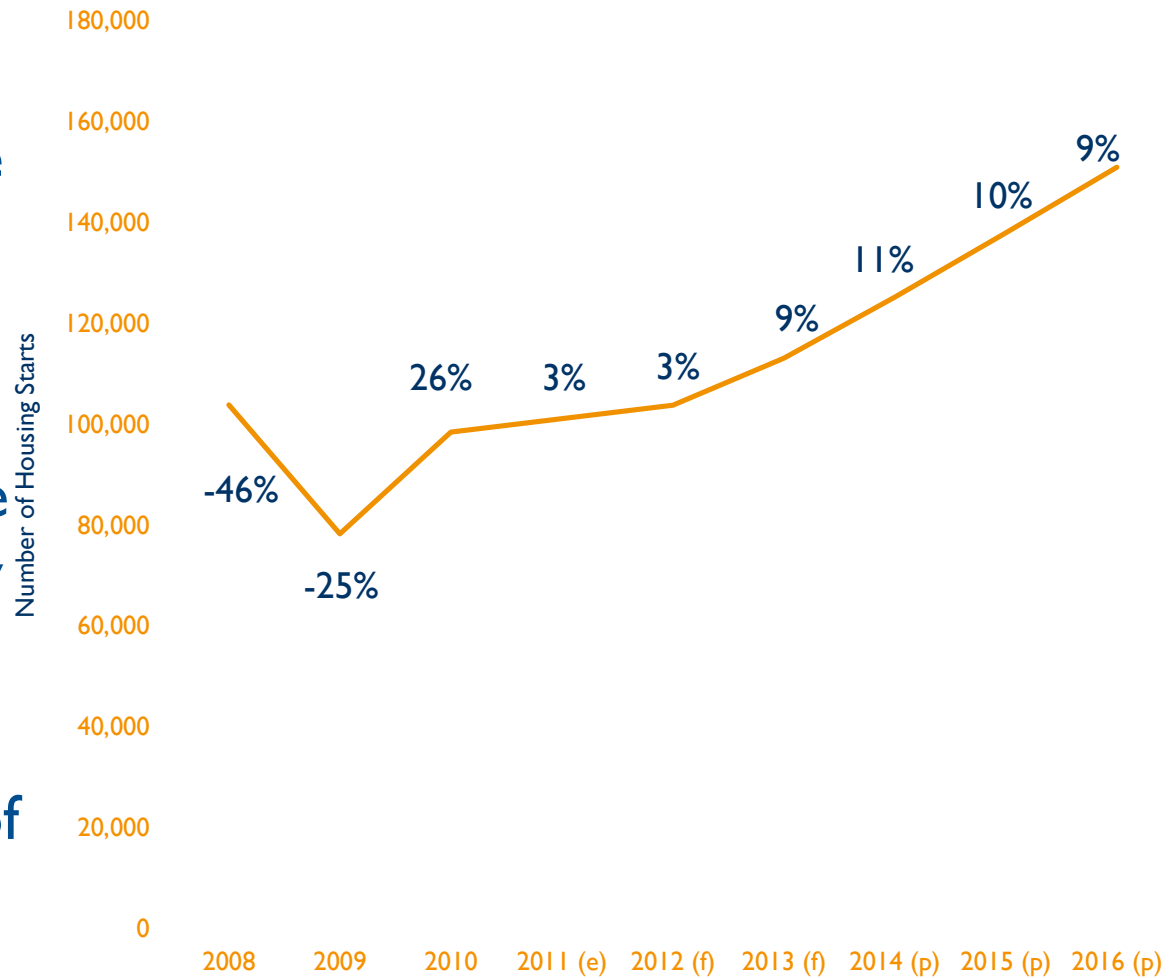


Where Will this Growth Come From?



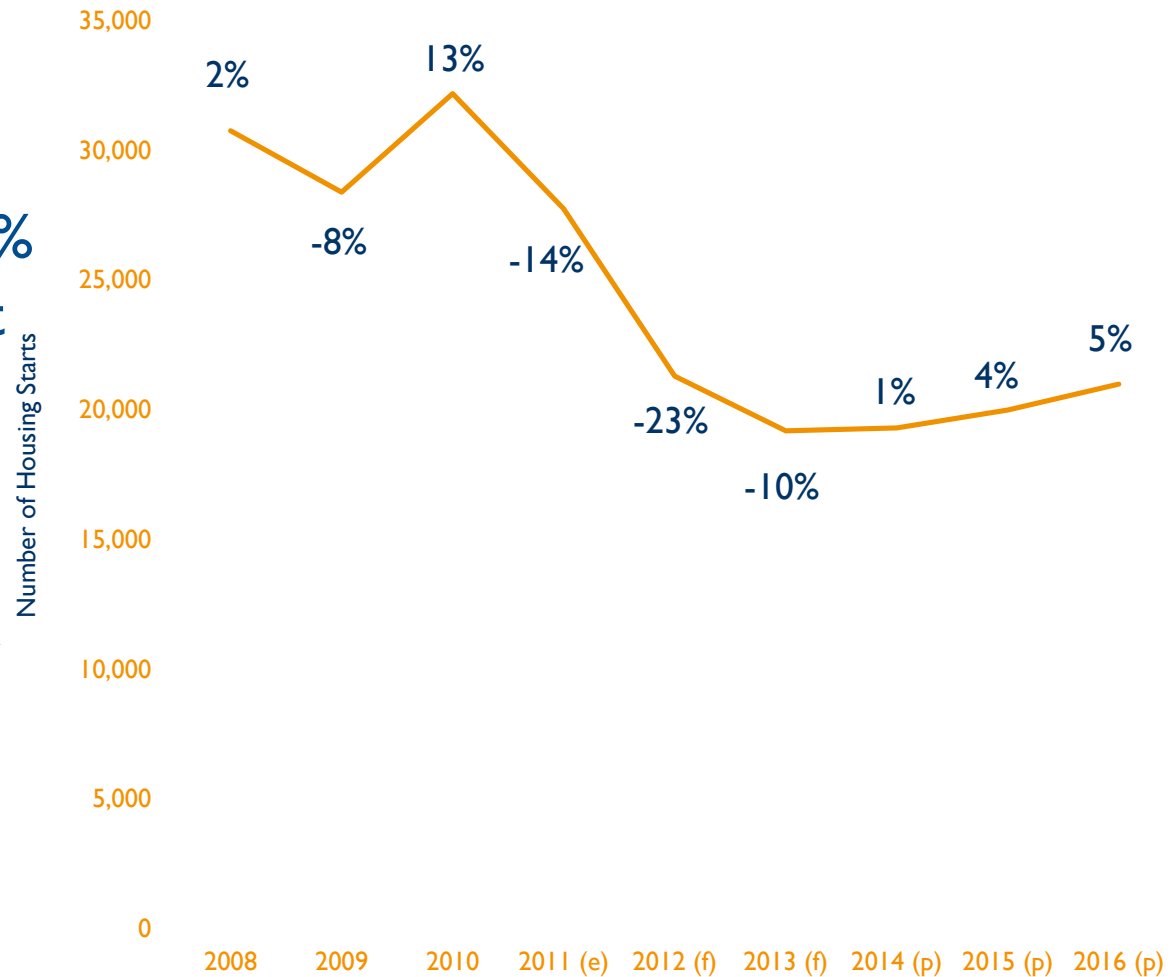
Private Housing Forecast

- Growth throughout the forecast
- High % rises but no. of units still very low
- Rises in units from large house builders offset by challenges from SME builders
- Boosted by extension of FirstBuy



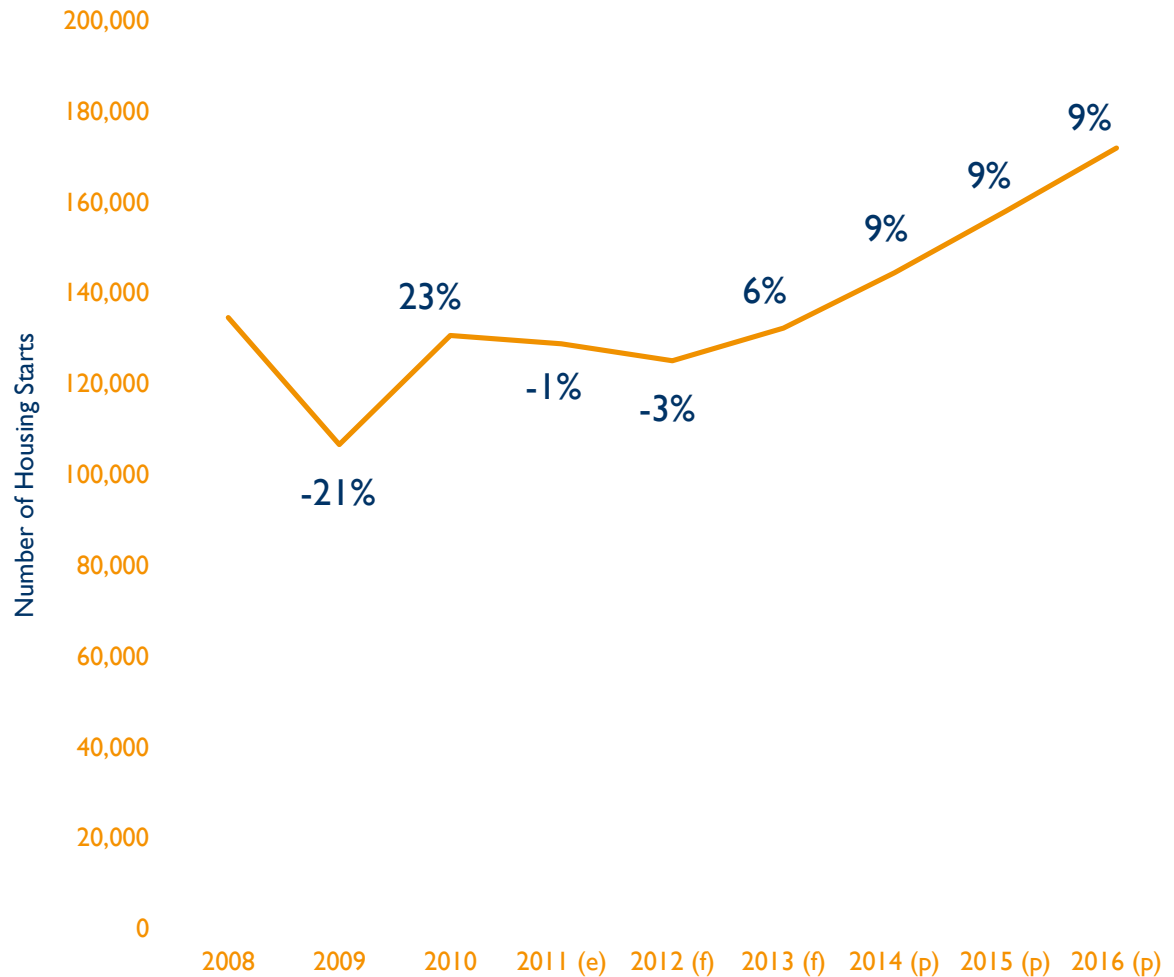
Public Housing Forecast

- CLG Focus purely on affordable housing – 60% fall in capital investment
- Public housing starts in Q2 almost 50% compared to a 1 ago
- Fall slightly distorted by contracts change from NAHP to AHP



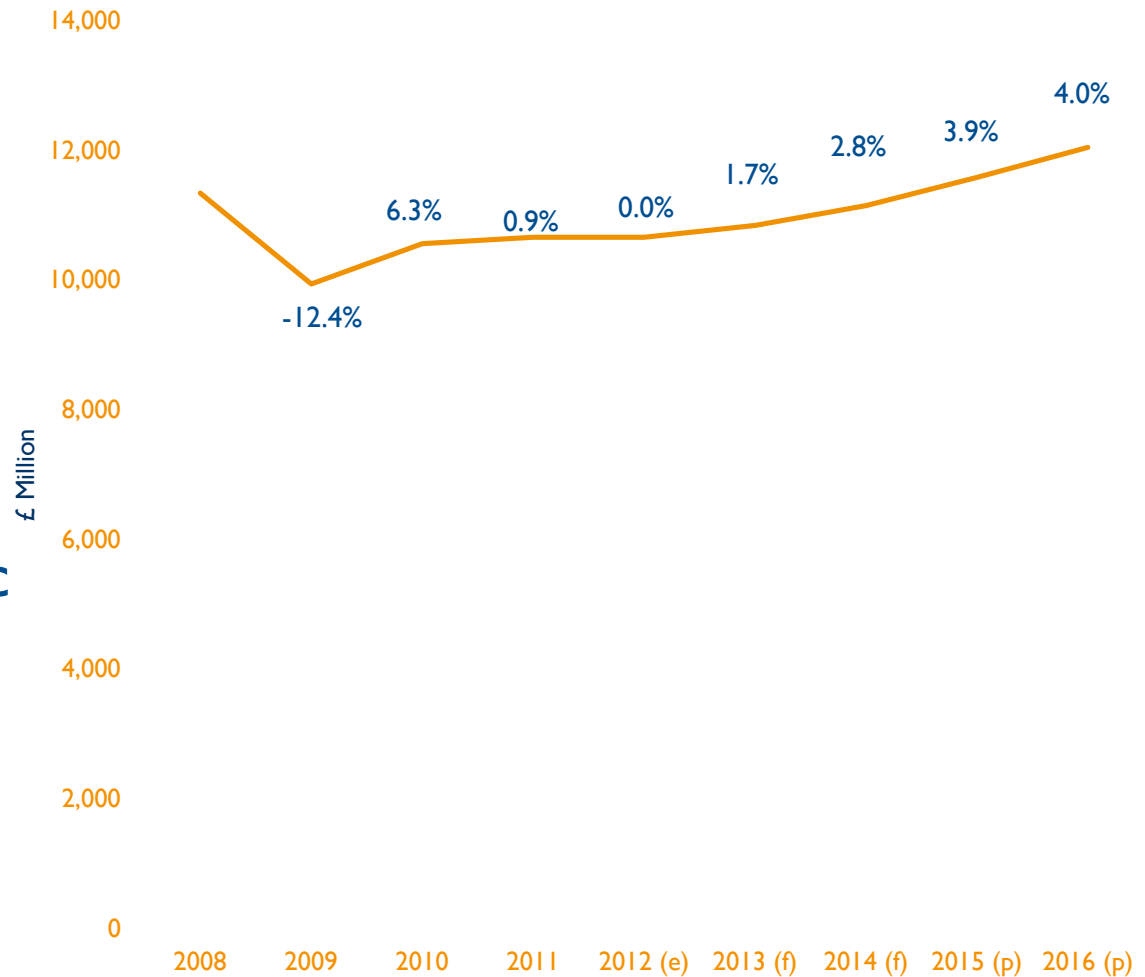
Total Housing Forecast

- Short-term fall due to public sector falls
- Private sector to drive growth medium-term
- 2012 – still building less than half the number of units needed
- Even in 2016, still 22% below 2007 peak



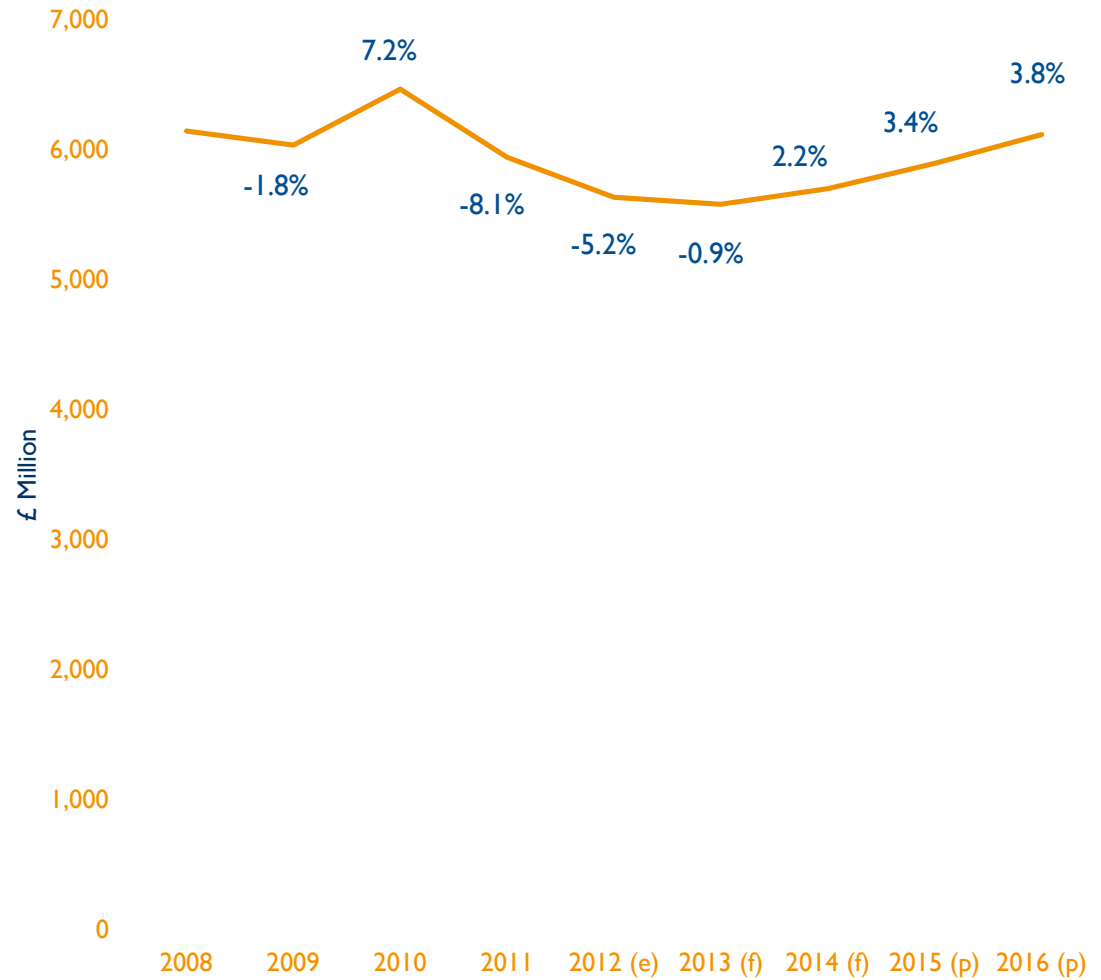
Private Housing RM&I Forecast

- Poor consumer confidence, spending and household income
- CERT & CESP progress
- Growth looking forward but is it due to economic recovery or Green Deal/ECO or both?



Public Housing RM&I Forecast

- CLG spending cuts... but rises 2014 onwards
- Limit to how long you can delay basic repairs
- Little finance for decent homes work in England
- Green Deal likely to make more of an impact in social housing



We need from government

- Shift current spending to capital investment and ensure that capital investment returns to 2.25% of GDP by 2014/15
- Focus infrastructure investment on repair and maintenance where work is 'shovel-ready' to help stimulate activity and jobs immediately
- Set up a new model for drawing in private finance asap.
- Incentivise home improvement, both within and outside the Green Deal.

Incentivising Retrofit (in support of Green Deal)

- Primary objective of Construction Products Association – promote construction sector - grow the pie
- Requirement for a suite of financial incentives, short and longer term
- Precedent set by vehicle excise duty and company car tax
- Linking energy performance of the home to stamp duty





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