

MEDIA RELEASE

Could the Post Covid Construction Boom be Over?

- Value of contracts awarded stable at lower levels than the recent past
 - Lowest level of planning approvals since Sep 2021
- Residential planning applications at lowest level since May 2020

LONDON, UK, 23 June, 2022 – The latest data from leading construction industry intelligence provider, Barbour ABI, indicates that April's downward trend has continued into May and could signal the end of the post-Covid construction boom.

Barbour ABI's Snap Analysis looks at the data for planning applications, planning approvals and contract awards for the previous month and gives a holistic picture of activity in the construction industry over the short, medium and long term.

Tom Hall, Barbour ABI's Chief Economist said: "April saw a fairly dramatic fall in activity from high levels to a more mixed picture. May's data was a continuation of this new trend and indicates that construction may well be in a new, lower phase of activity after its post Covid-19 expansion – most likely due to uncertainty over the strength of the UK economy to weather the cost-of-living crisis and the wider geopolitical outlook."

Contract Awards

The overall value of contracts awarded in May was £5.5bn, a return to the long-term average level. The driving forces in May were the Industrial, Residential and Healthcare sectors.

Residential contract awards were worth £2.1bn in May, which is a 16% increase on April and is above the long-term average. However, it is well below the Q1 2022's levels of £2.7bn per month. Healthcare construction contract awards soared by 48% in May to £300m, which is consistent with 2021's above average levels for the sector. Contract awards in the Industrial construction sector were also positive in May with a value of £1.2bn. This figure was driven by logistics and storage projects.

Infrastructure contract awards fell by 43% to £900m, making it the weakest month since November 2021. Renewable energy projects are still dominating contract awards in this sector. The Commercial, Education and Hotel & Leisure sectors also recorded weak levels of contract awards in May. Commercial construction contract awards were worth just £400m, which is a huge drop on the £1bn recorded each month in Q1 2022. This fall is almost certainly due to worries over the state of the economy.

Education was also very weak in May with just £300m of contracts awarded. This is down from £600m per month in Q1 2022 and £500m per month in 2021. May was also a tough month in the Hotel & Leisure sector. Only £300m worth of contracts were awarded, which is below average levels and a huge drop on what was an exceptional April.

Planning Approvals

May was the lowest month since September 2021 for planning approvals, with virtually every sector recording a decrease on April levels. Bucking the trend is the Industrial sector, which had a great month with £1.5bn of projects receiving the go-ahead.

Infrastructure recorded the most dramatic fall at 72% down on April activity. However, with £1.6bn of projects receiving planning approval, May was still above the long-term average. The sector continues to be dominated by renewable energy projects, with the largest one in May being a £645m flexible generation plant in the East of England.

Residential planning projects worth £3.1bn received approval in May. This was a 17% drop on April and the lowest level for 4 months. £400m of planning approvals were received in May in the Commercial sector, a 37% fall from the average level recorded in April. The Hotel & Leisure sector fell by 27% and recorded its weakest month since July 2021. Healthcare was just slightly below average levels at £130m of projects receiving approval in May, but Education experienced another very poor month with just £240m of projects receiving the green light. A monthly average of £400m was recorded in 2021 and Q1 2022.

Planning Applications

The longer-term outlook indicated by the value of projects submitted for planning approval is looking relatively healthy, with £9.2bn of applications submitted. However, the picture is very mixed across the sectors.

Infrastructure and Healthcare were the big winners in terms of planning applications in May. Battery storage, windfarm and solar energy projects took the level of Infrastructure planning applications lodged in April to £2.8bn. The redevelopment of a hospital in West Sussex is largely responsible for a great month for Healthcare planning applications at a value of £700m.

The Education sector recorded its best month for planning applications in 2022, with applications valued at £400m lodged in April.

The Commercial sector was broadly flat with £700m of planning applications recorded, as the sector continued at slightly below average performance. Following several good months, the Hotel & Leisure sector returned to its weak underlying trend with just £300m of planning applications lodged in April.

But the big faller in April was the Residential sector with a 34% drop on March levels of planning applications. Although £3.3bn worth of applications were lodged, this is the weakest level since May 2020.

Hall continued: "There is no doubt that concerns over the strength of UK economy and the wider geopolitical situation are having a depressive effect on the construction industry, however, the outlook is not all negative. New construction activity is still happening, at broadly long-term average levels instead of the high levels seen over the second half of 2021 and the Q1 of 2022. Generally, activity has flipped back to infrastructure and public sector construction, with commercially sensitive sectors weaker, which is not unexpected."
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