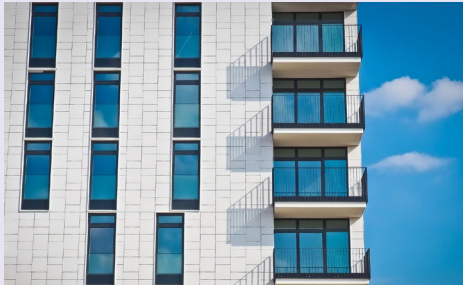


Construction Market



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According to the Office for National Statistics (“ONS”), UK monthly construction output grew 1.3% in volume terms in September 2021; new work and repair and maintenance both grew on the month, increasing by 1.3% and 1.2% respectively.

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Global Outlook

The next decade for construction will see global growth up by 35% compared with the previous decade, driven by unprecedented levels of stimulus spending on infrastructure and the unleashing of excess household savings, according to a new report. The Future of Construction: A Global Forecast for Construction to 2030, published by Marsh and Guy Carpenter and written with Oxford Economics, provides a largely positive outlook for the industry.

The global construction market is expected to expand by \$4.5 trillion to \$15.2 trillion, with China, India, US, and Indonesia accounting for 58.3% of projected growth. Predicted average annual growth of 3.6% per year will be faster than either the services or manufacturing sectors and global infrastructure construction is forecast to grow by an annual average of 5.1%. Construction is forecast to grow by 6.6% in 2021 and by 42% by 2030.

Graham Robinson, Global Infrastructure & Construction Lead for Oxford Economics, said rising investment in digitisation and offsite manufacturing will be expected to accelerate, fuelled by growth in 3D printed components, robotics and data-driven assembly processes.



UK Construction Industry

According to the Office for National Statistics (“ONS”), UK monthly construction output grew 1.3% in volume terms in September 2021; new work and repair and maintenance both grew on the month, increasing by 1.3% and 1.2% respectively.

The level of construction output in September 2021 was 1.0% (£141 million) below the level of February 2020, before the COVID-19 pandemic; new work was 3.5% (£334 million) below the February 2020 level, while repair and maintenance work were 3.9% (£194 million) above the February 2020 level.

In contrast to the monthly growth, quarterly construction output fell 1.5% in Quarter 3 (July to Sep) 2021, compared with Quarter 2 (Apr to Jun) 2021; both new work (0.3%) and repair and maintenance saw decreases (3.6%). Total construction new orders fell 9.2% (£1,221 million) in Quarter 3 2021, compared with Quarter 2 2021.

The annual rate of construction output price growth was 5.1% in September 2021; this was the strongest annual rate of construction output price growth since records began in 2014.

At the type of work level, the annual rate of price growth in the 12 months to September 2021 was at its strongest in new housing (7.5%) and private industrial new work (6.3%).



Outlook

According to a report by the Business Wire, the UK construction industry was severely impacted in 2020, due to the disruptions caused by the COVID-19 outbreak and the subsequent lockdown measures. The industry contracted by 14% in real terms last year, following growth of 1.8% in 2019.

It is expected that the UK's construction industry will grow by 10.6% in 2021 and record an average growth of 3% between 2022 and 2025. The industry's output will be supported by improving investor confidence and investments in transport, renewable energy, residential and commercial infrastructure projects.

Construction Market



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The rapidly growing construction industry in emerging economies like China, India and the Middle East is boosting the roofing market.

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- The Roofing Market Sector -

Global Roofing Market

According to a report by Expert Market Research, the global roofing market stood at a value of about \$111 billion in 2020 backed by strong demand for roofing in the construction sector. The market is expected to further grow at a CAGR of 4.9% between 2021 and 2026 to reach a value of nearly \$149 billion by 2026.

The rapidly growing construction industry in emerging economies like China, India and the Middle East is boosting the roofing market. New innovations like green and eco-friendly roofing are also gaining popularity, especially in countries like the US, the UK and Japan. Rising investments in the residential construction sector along with eco-friendly roofing innovations will make the residential sector one of the major application sectors in the industry in the coming years.

However, quality and availability of asphalt is a continuous challenge for manufacturers of roofing materials. The major raw material for bitumen is gasoline and demand for gasoline is still declining. This has adversely affected the supply of bitumen and asphalt. Moreover, expensive manufacturing techniques such as the oxidation process have raised the production cost of bituminous roofing. Other roofing materials such as plastic and fibre cement are also facing challenges owing to an increase in price of polymers, which include polypropylene and Polyvinyl Chloride (“PVC”). All these factors are estimated to hamper the roofing market during the forecast period.

Material and Type Insights

According to a report by PR Newswire, on the basis of roofing material, the bituminous segment held the major share in 2020, garnering more than half of the global roofing market. The same segment is also projected to cite the fastest CAGR of 4.7% throughout the forecast period of 2021 to 2026. This is because bitumen roofing is extremely long-lasting owing to its great tensile strength.

Based on roofing type, the flat roof segment contributed the lion's share in 2020, holding nearly three-fourths of the global roofing market. The same segment is also projected to manifest the fastest CAGR of 4.4% from 2021 to 2030. Increase in roofing activities in the developed and developing economies is fuelling segment growth.

UK Roofing Market Sector

According to UK's largest roofing trade association NFRC's latest report, the roofing and cladding industry has yet again shown its resilience over the last quarter. Despite the numerous setbacks and challenges the sector faced in Q3 2021, from extended lead times to skill shortages to inflation, the industry continued to grow. Overall, a balance of 40% of roofing contractors reported growing workloads in the third quarter of the year. Whilst this is down on the previous quarter, from 54%, it is still an encouraging figure, and is the fourth consecutive period of growth since this survey started.

Enquiries were also down on the previous three months, but 29% of members are still reporting an increase in enquiries, which gives an indication of a healthy future pipeline of work. The slight slowdown in workloads seems to have been driven by the domestic repair, maintenance and improvement sector, which saw a drop from 48% of contractors seeing an increase in work in this sector in Q2 to 28% in the third quarter. Factors attributable to this slowdown include homeowners delaying work in preference to taking

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According to Barclays, October 2021 was another strong month for consumer spending, up 14.2% compared to the same period in 2019 as relaxing international travel rules spurred Brits into booking overseas breaks, a welcomed boost for travel agents and airlines.

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holidays over the summer and the capacity issues in the supply chain. The commercial sector was the strongest growing sector, reflecting the ending of most COVID-19 restrictions in July.

Regionally, most areas saw growth in both workloads and enquiries, with North of England and Scotland seeing the most robust growth. Wales was the only part of the UK to see a fall in both workloads and enquiries. Employment levels continued to grow, with 12% of contractors reporting a growing headcount of the previous three months. Unsurprisingly, this continues to intensify skill shortages in the sector, with 77% of firms reporting recruitment difficulties (up on the previous quarter). This is filtering through into wage inflation, with just under half (47%) of contractors reporting their labour costs had increased.

UK Consumer Spending

According to Barclays, October 2021 was another strong month for consumer spending, up 14.2% compared to the same period in 2019 as relaxing international travel rules spurred Brits into booking overseas breaks, a welcomed boost for travel agents and airlines.

Essential spend grew 13.2% in October, a slight drop on the 14.4% reported last month as more than a third (38.0%) of UK consumers say they have found it harder than normal to buy essential items due to shortages in the supermarket and other shops. Non-Essential spend posted a particularly strong month, up 14.6% versus the same period in 2019. This was boosted by the easing of travel restrictions as Brits spent more on booking overseas breaks in the lead up to half term.

The report stated, “October was a particularly strong month for online businesses as online spend grew 26.6%, the highest level of online spend growth since COVID restrictions were eased earlier in the year. This comes as the arrival of the autumn weather drove Brits into shopping from the comfort of their own homes.”

-Economic Impact of Coronavirus-

Undoubtedly, coronavirus is a black swan event – something that happens once in a century. Its spread has left businesses around the world counting costs, with many investors fearing the spread of coronavirus will pose an insurmountable challenge to the economic growth of all major countries across the globe. Almost every industry has been affected, with governments scrambling to somehow arrest the economic decline. Central banks in more than 50 countries, including the US Federal Reserve and the Bank of England have cut interest rates to try to strengthen their economies. Furthermore, most countries have announced unprecedented stimulus packages in the hopes of reviving their economy.

Effect on Global Demand

Consumer spending, a major source of economic activity, collapsed as the first wave of the pandemic swept across countries in early 2020. Suddenly, consumers were forced to change behaviour, companies to transform business models and governments to adjust regulations. And just as the coronavirus has affected regions and individuals in vastly different ways, the economic impact has also been very uneven. Employees able to work from home have maintained jobs and income, accumulated more savings while forced to cut back on spending from lockdowns, travel restrictions and health fears; others lost jobs and income or closed down businesses and have struggled to pay the bills.

According to a recent report by McKinsey, unlike previous recessions, this one involves no consumer debt overhang, bursting asset price bubbles, or long-term business cycle fluctuations. The sudden and deep drop in consumer spending across China, the United States and Western Europe, ranging from 11 to 26 percent in the

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According to a report by IBIS World, during 2021-22, demand for industry services is forecast to increase in line with the reopening of the UK economy...

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initial months of the pandemic, resulted mainly from cutbacks to in-person services, especially travel, entertainment, and dining.

These categories have been growing over the long term, and consumer surveys indicate a likely strong demand rebound after the pandemic. The massive ten- to twenty-percentage-point spike in the savings rate across the United States and Western Europe has left many households in a strong position to spend. That means an effective vaccine rollout to bring the pandemic to an end could restore consumer demand to pre-pandemic levels, fuelled by rising consumer confidence, pent-up demand, and accumulated savings.

Impact on UK Roofing Market Sector

According to a report by IBIS World, during 2021-22, demand for industry services is forecast to increase in line with the reopening of the UK economy, following the successful rollout of vaccinations and the easing of lockdown restrictions. As a result, industry revenue is forecast to increase. The pandemic is expected to have significantly affected the industry's average margin, as supply chain disruptions and increased operating costs, combined with a significant fall in revenue weighed on profitability. However, in the current year, disruptions are expected to dissipate, allowing margins to expand. Despite this, margin growth is expected to remain constrained by input price inflation which reached an all-time high in May 2021, according to IHS Markit.

As lockdown measures have eased, construction activity has increased. This trend is expected to continue, allowing for the recovery of industry revenue over the next five years, supported by a strong backdrop of policy support.

UK Economic Forecast

The International Monetary Fund has sharply revised up its growth forecast for Britain's economy this year in its latest economic outlook update, after giving a more downbeat assessment in April when the country was only just beginning to relax COVID-19 restrictions.

British economic output slumped by almost 10% in 2020, its biggest drop in more than 300 years, as it suffered one of the world's highest official death tolls for COVID-19 and endured months of curbs on business and social activity.

But the IMF forecasts Britain's economy will grow by 7.0% this year, the same as the United States and the joint-fastest growth rate among major advanced economies. This was 1.7 percentage points higher than the IMF forecast in April, the biggest upgrade for a major economy. Britain's growth forecast for 2022 was revised down by 0.3 percentage points to 4.8%.

Global Economic Forecast

According to the IMF World Economic Outlook (“WEO”) forecast, economic prospects have diverged further across countries since the April 2021 WEO forecast. Vaccine access has emerged as the principal fault line along which the global recovery splits into two blocs: those that can look forward to further normalisation of activity later this year (almost all advanced economies) and those that will still face resurgent infections and rising COVID death tolls. The recovery, however, is not assured even in countries where infections are currently very low so long as the virus circulates elsewhere.

The global economy is projected to grow 6.0 percent in 2021 and 4.9 percent in 2022. The 2021 global forecast is unchanged from the April 2021 WEO, but with offsetting revisions. Prospects for emerging market and developing economies have been marked down for 2021, especially for emerging Asia. By contrast, the forecast for advanced economies is revised up. These revisions reflect pandemic developments

Construction Market



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The 0.5 percentage-point upgrade for 2022 derives largely from the forecast upgrade for advanced economies...

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and changes in policy support. The 0.5 percentage-point upgrade for 2022 derives largely from the forecast upgrade for advanced economies, particularly the United States, reflecting the anticipated legislation of additional fiscal support in the second half of 2021 and improved health metrics more broadly across the group.

The additional support is expected to lift 2021 US GDP growth by 0.3 percentage point and 2022 growth by 1.1 percentage points, with positive spill overs to trading partners. This shift is partially offset by the forecast downgrade in 2021 for Japan, reflecting tighter restrictions in the first half of the year as caseloads picked up. Japan is anticipated to see a stronger rebound in the second half of 2021, as vaccination proceeds and the economy fully reopens, improving its growth forecast for 2022. Similar strengthening momentum is expected in France, Germany, Italy and Spain later this year, carrying over into 2022. Meanwhile, China's 2021 forecast is revised down 0.3 percentage point on a scaling back of public investment and overall fiscal support.

ANALYSE | ADVISE | REALISE

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