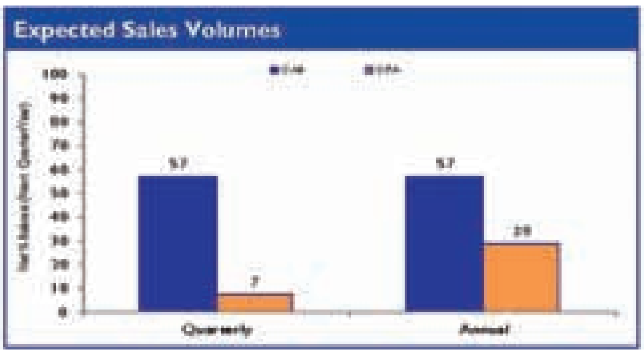
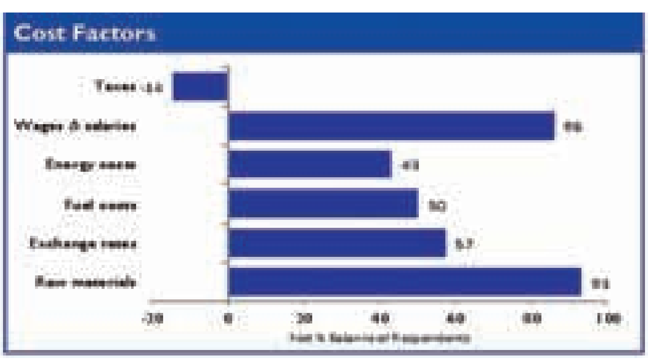
Q2: A mixed picture

Despite slower UK economic growth in the first half of 2017 and ongoing uncertainty relating to Brexit and domestic politics, CAB members reported continued growth in Q2 in the quarterly *State of Market Survey*. The quarterly survey showed 57% net balance (down from 86% net balance in Q1) of respondents expecting sales to increase over the next 12 months and a similar figure over the next quarter. Once again the figures compare favourably against the overall construction sector (29% and 7% respectively) which did still manage to deliver a seventeeth quarter of growth.



Members' cost pressures remained elevated in Q2, reflecting the ongoing effect of sterling's depreciation in the post referendum period. An 8.5% drop against the euro (in annual terms) marked a sixth consecutive quarter of decline. This was best highlighted by the fact that members' cost balances reached multi-year highs with raw material increases being reported by 93% net balance. In addition, 86% net balance reported rising wages and salaries. Given the recent rise in global commodity prices fuel and energy were also reported as key pressures by 50% and 43% net balance respectively.

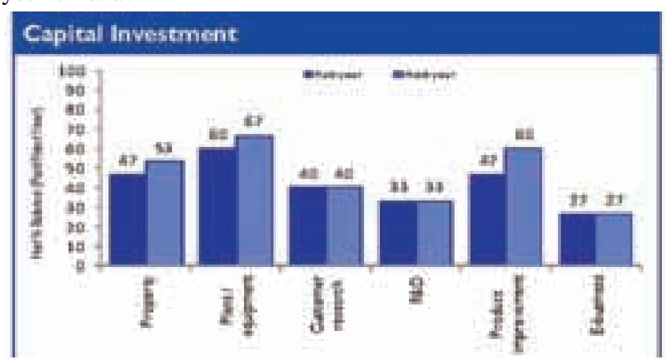


In contrast to recent Markit/CIPS data, inflationary pressures continued to intensify in 2017 and 71% and 100% forecasted rising unit costs over the next quarter and year respectively.

Demand was still considered the key constraint on sales growth (40% net balance) over the next 12 months with raw materials (20%) and labour availability (13%). A further 27% of CAB members however, believed there to be no constraints on activity in the year ahead (up from 10% in Q1).

There was little concern on capacity levels which were reported to be sufficient in Q2, given current aluminium in building sector output and demand. Only 7% of members expected to operate at 90% capacity over the next quarter with 13% anticipating that level in the year ahead.

Justin Ratcliffe



Capital investment again remained one of the key priorities with the focus over the next 12 months being plant & equipment (67%), followed by product improvement (60%) and property (53%). Encouragingly across all the capital investment metrics there was a view that investment would increase year on year in product improvement, plant and equipment and property while customer research, R&D and e-business would remain at the same level. ❐

Justin Ratcliffe

"Inflationary pressures continued to intensify"

For further information on the CAB Fabricator/Installer Training Days and CAB Skills Card or membership information on please contact:
jessica.dean@c-a-b.org.uk