

# Rise in the private sector

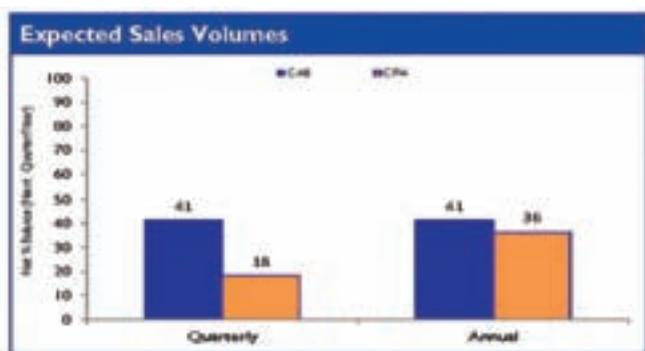
The Q3, 2018 CAB *State of the Market Survey* demonstrated that members saw a positive marketplace during the quarter. One of the key highlights being that compared to Q2, 41% saw a sales rise of up to 5% and 24% experienced a rise of more than 5%.

Construction growth over the past year has been driven by private housing, infrastructure and private housing RM&I which has benefitted the whole supply chain. On a year on year basis, 12% of members reported sales volumes increases of up to 5% and 41% reported rises of more than 5%. Highlighting perhaps the lingering impact of a difficult Q1, 24% of members were still down slightly by not more than 5% year on year.

Despite the ongoing economic and political uncertainties relating to Brexit, product manufacturers remained optimistic for the next 12 months in Q3. 41% (59% in Q2) of members forecasted sales growth over the next quarter and 41% (76% in Q2) predicted growth in the 12 months ahead.



Justin Ratcliffe



## Expected sales volumes

Demand was again reported as the key constraint on sales growth over the next year for 69% of members (53% in Q2). The other constraints were capacity at 13% of respondents and no constraints (13%).

In Q3, 76% of members (91% in Q2) reported unit cost increases over the previous 12 month period. Looking

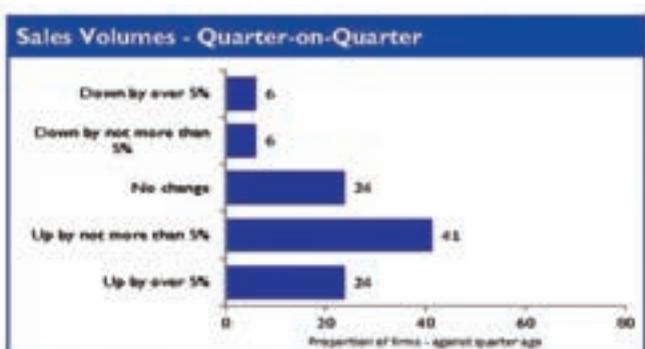
over the next quarter (71%) and the next year (88%). The key drivers of cost inflation in Q3 were wages and salaries (88%), raw materials (82%) and fuel costs (76%). Cost balances on the whole appear to be easing very slightly from the 2017 peak, but it is worth mentioning the concern about fuel inflation. Since July 2017, the price of Brent crude oil has remained on an upward trajectory and in August 2018 reached a four year high of \$78.9 per barrel.

In the year to Q3, capacity remained sufficient although 13% of members reported that they had operated at between 90% and full capacity. In 12 months' time, capacity utilisation was anticipated to be 90% or higher according to 31% of members (35% in Q2).

Once again there was a very positive view of capital investment over the next 12 months. In Q3, product improvement was once again the focus for the year ahead with 63% of members anticipating an increase in this area. Furthermore, balances of 56% and 50% expected to increase investment in plant/equipment and e-business respectively. This was followed by balances of 38% for increased investment in both R&D and property in the year ahead.

On the employment front, in Q3, 56% of members on balance reported that employment rose from a year earlier (47% in Q2). 44% anticipated increasing headcount during the next 12 months (71% in Q2). □

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## Sale volumes - quarter-on-quarter

ahead, members' cost pressures were expected to continue

To find out more about the CAB Members Meeting or how you can become involved in CAB please contact [jessica.dean@c-a-b.org.uk](mailto:jessica.dean@c-a-b.org.uk) or contact the CAB office on 01453 828851

# The challenge



Dr Justin Furness – presenting a technical update at the regional members' March meeting in Leeds

The way we create buildings has not essentially changed in over 40 years. While other sectors such as automotive and aerospace have changed radically and invested heavily in new technologies such as digitisation, the construction sector is often accused of lagging behind. This government has set out in its industrial strategy a vision to increase productivity and jobs in the wider UK economy by investing in skills, industries and infrastructure. This includes encouraging the UK to be the world's most innovative economy and building long-term strategic partnerships with businesses through the sector deals. Construction is recognised as an important sector to UK plc, and through the current round of the Transforming Construction Challenge Fund, government will invest up to £170m, matched by £250m from industry, to create new construction processes and techniques.

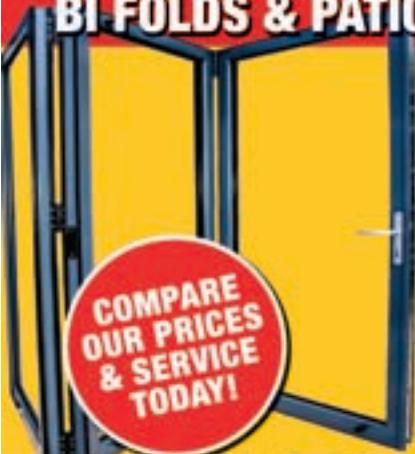
Unsurprisingly, increased use of modular construction, linked to digitalisation, is high on this agenda. From this perspective, this is an exciting time to be part of the construction sector and our opportunity to be part of the changes that are so urgently needed. However, given that these messages are not necessarily new, some remain sceptical. Despite the desire to fund smaller projects, how much of that £170m will you or I actually see? Why does change seem particularly challenging in our sector? Part of it must be down to the extended and complex nature of our supply chains. On any given project, how far removed from the client or designer could the actual window installer be? In the drive to increase productivity, we have seen rationalisation of the supply chain in many sectors, and construction is not immune to this. No doubt we will also see increased investment in modular and offsite construction, which may nibble at your market. But what if a new entrant really does transform construction and bring technologies together to create new buildings without any need for the traditional supply chain? Perhaps Halloween is closer than we think. □

**Justin Furness**

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