Construction Forecasts

Construction forecasting and research
Winter 2013/14 Edition Volume 20: Issue 1

Experian™

Winter 2013/14

Construction Forecasts 2014 – 2016

A report by the Forecasting Committee for the Construction Industries

Construction Forecasting & Research from Experian

Published by Experian – Economics, Decision Analytics
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January 2014

This report has been prepared for publication by Construction Forecasting & Research, which is part of Experian's Economics Unit, with guidance from its Forecasting Committee for the Construction Industries.

The members of the committee serve in a personal not a representative capacity. The contribution of the members, and that of the Forecasting Groups (listed in Appendix H), is gratefully acknowledged.

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ISSN 0308-079X

Printed by PAPCOM

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A SHORT STATISTICAL NOTE

There have been significant revisions to both the new orders and output data series during 2013 that require comment.

In the case of new orders, a different methodology has been adopted for the collection of data from the second quarter of 2013. Prior to that date new orders data was collected directly by the Office for National Statistics by a survey of contractors in the industry. Since the second quarter of last year collection of new orders data has been entrusted to Barbour ABI, an organisation that tracks the commissioning of construction work through the planning system. ONS expresses the belief that the new collection methodology will provide a more comprehensive view of new orders as coverage is closer to a census than a sample. However, concerns do currently exist about how the inevitable discontinuity between first quarter and second quarter 2013 data has been treated and a response from ONS is awaited on this issue. As a result we are currently treating the strong growth rate seen between these two quarters with an element of caution.

On the output side, constant price data has moved to the annual chain-linked methodology and away from the five-year fixed base methodology previously used. This was an inevitable development given that construction output data forms part of National Accounts and most other indicators have long since moved to the chain-linked methodology, which is the preferred methodology of Eurostat.

Annual chain-linking is a method for aggregating the volume measures on a more frequent basis. It can be thought of as rebasing every year; thus instead of referring back to value shares from the most recent base year, volume measures for each year are produced in prices of the previous year. These volume measures are then ‘chain-linked’ together to produce a continuous time series.

The main benefit of chain-linking is that as the weighting is updated every year it will more accurately reflect the importance of various sectors in the economy. The primary drawback to chain-linking is a loss of ‘additivity’, that is, prior to the base year the sum of the parts will not equal the total.

THE ESTIMATED OUTTURN FOR 2013

- The strength of the economic recovery in the past few months has caught many forecasters on the hop. The median of independent forecasts for GDP published by HM Treasury in June was still a modest 0.9 per cent for 2013, but by December this had risen to 1.4 per cent. Experian tended to be close to the consensus, with a GDP forecast of 1 per cent for 2013 in June, which had risen to 1.4 per cent by December.
- The turnaround for the construction industry has been even more marked, although this has been due in no small part to significant revisions of construction output data by the ONS over the past few months. The latest of these in December added nearly £1.5bn in 2010 prices to output in the construction industry in the first three quarters of last year, taking the year-on-year change up from -0.3 per cent to +1 per cent. Thus the outturn for the year as a whole will now almost certainly be positive, given that the trend is one of accelerating growth at present.
- Both the public and private housing sectors have experienced output on a rising trend in recent quarters, and for private housing the third quarter 2013 outturn, at £4.5bn at 2010 prices, was the best since the second quarter of 2008. In the public sector, while funding under the 2011 to

2015 Affordable Housing Programme (AHP) is much lower than in the 2008 to 2011 period and led to a sharp contraction in output in 2012, social housing providers have become much more adept at accessing finance from other sources, with borrowing facilities totalling £69bn in the three months to September 2013.

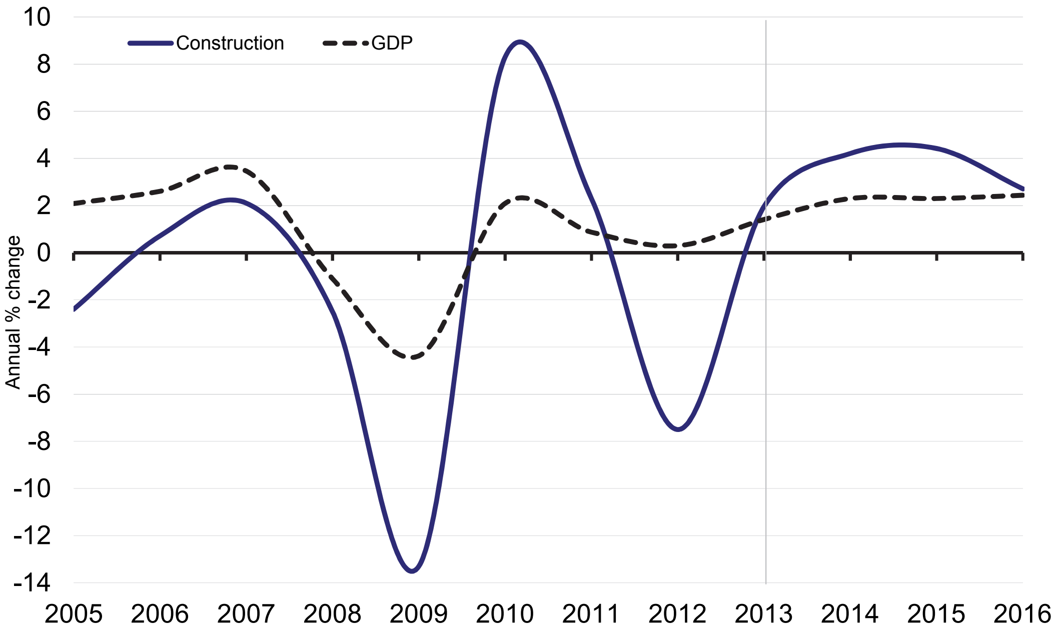
- There is little doubt that the Help to Buy scheme has provided a significant boost to the housing market, with a small step-change in levels of output in the second quarter of last year after the introduction of the equity part of the scheme in April. The mortgage guarantee element, which was introduced in October, three months ahead of schedule, has further enlivened the market, so much so that the Bank of England has decided to redirect the Funding for Lending scheme away from the mortgage market and towards small businesses from February this year, partly to assuage fears of a house price bubble – although primarily to address the lack of lending to SMEs. Thus private housing output could be close to 10 per cent higher in real terms in 2013 compared with the previous year. However, that will still leave activity some 28 per cent lower than its 2006 peak.
- Not surprisingly, public non-residential output has continued to decline and is likely to be some 10 per cent lower in 2013 than in the previous year. The Building Schools for the Future (BSF) 'legacy' project pipeline is now reduced to a few schemes in the Wolverhampton area, while the Priority School Building Programme is largely privately financed; thus the output should appear in the commercial construction sector. However, while overall construction expenditure on schools and colleges continues to decline, for universities it has been expanding as higher education institutions battle it out to attract students.
- The infrastructure sector continues to see output sustained at a high level, albeit a bit off its peak in 2011. Activity is estimated to have grown by about 2 per cent in real terms in 2013. Work on Crossrail is now approaching its peak, which is scheduled to be 2014/15, with activity also ongoing on a welter of other major projects in the sector such as redevelopment of London Bridge rail station under the Thameslink programme, station redevelopments at Victoria, Bond Street and Tottenham Court Road, the Queensferry Crossing in Scotland and a number of managed motorway schemes across England.
- The commercial construction sector was showing no growth until a sudden acceleration in activity in the third quarter of last year. While demand for office and retail space had been returning to the sector generally since the beginning of the year it can take some time for this to translate to work on the ground and thus it was not until the third quarter of the year that we saw a significant upswing in output, of around 7 per cent quarter-on-quarter in real terms. It is the office sub-sector that is largely driving growth, with some analysts expecting activity in London to reach a 10-year peak in 2014 and speculative development to return to some of the main regional markets after a long period of dormancy.
- Activity in the repair and maintenance sectors (R&M) overall was largely flat in the first three quarters of 2013, with only infrastructure R&M and, surprisingly, the public non-residential R&M sectors showing any real growth. Public housing R&M continues to suffer from the severe financial constraints that local authorities are under while the private housing side remains impacted by pressure on real household disposable incomes, although some growth in the sector is expected for 2013.

THE OVERALL OUTLOOK TO 2016

- The prospects for the UK economy have undoubtedly strengthened in recent months. Our forecast for GDP expansion in 2014 have risen to 2.3 per cent now from 1.6 per cent last summer as most of the major indicators continue to perform well despite some underlying weaknesses.
- The labour market has been exceptionally buoyant in recent months. Employment rose by 250,000 in the three months from August to October 2013, to take the year-on-year increase to 485,000 and the total number in employment to 30.086 million, a new record. The unemployment rate dropped from 7.7 per cent to 7.4 per cent over the three months. The unemployment rate is expected to continue to subside down towards 6 per cent or so by 2016, with the possibility that Mark Carney's marker of 7 per cent, before the Bank considers raising interest rates, could be reached by late 2014 or early 2015.
- After moving in a very narrow range of 2.7 per cent to 2.8 per cent for most of the 12 months to September 2013, consumer price inflation dropped by half a per cent to 2.2 per cent in October as the hike in tuition fees the previous year came out of the equation, and dipped further to 2.1 per cent in November, close to the seemingly long-forgotten Bank of England's 2 per cent target. This is the lowest rate since November 2009. The expectation is that inflation will hover around or a little above the 2 per cent mark for the forecast period.
- One less positive indicator in recent months has been retail sales. Total sales volumes between June-August and September-November were flat, though excluding automotive fuel there was a slight increase of 0.3 per cent. On the annual comparison, September-November volumes were 2 per cent higher (2.5 per cent excluding fuel) than in 2012. This is a slowdown from the summer's strong figures and suggests that the continuing muted rise in earnings - total pay growth over the year to August-October was 0.9 per cent compared with inflation in the year to November at 2.1 per cent - may finally be affecting spending. However, the very encouraging employment trends in recent months together with an improving housing market appear to be offsetting this, keeping volumes broadly flat on the three-month comparison.
- We expect retail sales volumes on the three-month measure to show little growth in the next few months, implying that on a year-on-year comparison, growth will be at a more modest pace than in March-September. But labour market strength and stronger earnings growth as the recovery gains momentum should underpin steady sales volume expansion in the second half of 2014, with the year-on-year rate returning to near 2.5 per cent.
- All the above presages a much better GDP performance over 2014 and 2015 than we put forward in the summer when growth in both years was expected to remain below 2 per cent. GDP growth of 2.3 per cent is now predicted for both years, strengthening slightly to 2.4 per cent in 2016, close to its long-term average. On this basis, GDP should exceed its second quarter 2008 peak by the first quarter of 2015, a period of 27 quarters from peak to peak.
- Given the more robust economic recovery, prospects have brightened for construction as we have been awaiting a sustained return to growth in the private sectors to balance the effects of expenditure cuts in the public ones. The strongest growth in 2014 is expected in the housing sectors – public and private – and in infrastructure, with all three expected to show double-digit percentage increases. The fact that public housing is predicted to see such strong growth may seem to contradict the first sentence of this paragraph, but expansion here is resulting from an injection of what is essentially private finance.

- Total construction output growth is now projected to average over 4 per cent a year for 2014 and 2015, before slowing to around 2.7 per cent for 2016. Private housing and infrastructure are expected to be the best performing sectors overall, with the former expanding by 22 per cent over the 2014 to 2016 period to get within 12 per cent of its 2006 peak and the latter by 24 per cent to reach a new historic high. Total construction output in 2016 is forecast to reach nearly £126bn in 2010 prices, only 2 per cent lower than its 2007 peak.

GROWTH IN UK CONSTRUCTION OUTPUT AND GDP



Source: ONS, Experian.

The Construction Outlook by Sector

Housing

- The prospects for growth in the public housing sector look bright over the next couple of years, with, as has already been reported, social housing providers accessing increasing levels of private finance, enough to deliver planned projects to April 2015. This is reflected in recent trends both in new orders and starts. New orders in the first three quarters of 2013 were up by 66 per cent in real terms compared with the corresponding period of 2012 and starts in England and Scotland are up 18 per cent on the same comparison – the Welsh Government no longer separate public and private housing starts. The next AHP, from 2015 to 2018, is budgeted to have roughly the same amount of funding attached to it as the 2011 to 2015 one on an annualised basis, but will be a year shorter, which could cause social housing providers with long-term commitments to be a little more cautious about spending from 2015. However, the projected outturn for 2014 and 2015, at just over £5bn, will be the highest since the start of the chain-linked 2010 priced data series in 1997.
- The outlook is also strong for private house building over the forecast period. In the summer forecast, we reported an increasing sense of optimism surrounding the housing market and this has strengthened during the rest of 2013, with the Home Builders Federation monthly survey of house builders showing some very positive balances on site visitors and net reservations in October compared with a year ago. This optimism has finally translated into levels of new

orders and housing starts with the former up 34 per cent and the latter by 23 per cent in the first three quarters of 2013 compared with the corresponding period of 2012. The Help to Buy Scheme in particular is providing a strong boost to the market, with over 5,000 new build properties bought under the equity loan part of the scheme in its first six months and 2,000 applications made in the first month of the mortgage guarantee element. Help to Buy should continue to boost the sector through 2014 at least, although there is uncertainty about what might happen once the £12bn of mortgage guarantees under the scheme are taken up.

- The prospects for public housing R&M work remain muted. Improvements to the Welsh public housing stock continue under the Welsh Housing Quality Standard Scheme and the Arbed retrofitting programme, and a number of English local authorities and registered social housing landlords are taking forward energy efficiency retrofitting measures on their stock through the Energy Company Obligation (ECO) and Green Deal. However, financial constraints on local authority budgets mean that any growth is likely to be modest. R&M growth in private housing is likely to be much stronger than in the public sector. The private R&M sector performed poorly in 2011 and 2012 as households retrenched on spending and increased their savings in a period of economic uncertainty. However, growth seems to have returned to the sector in 2013, despite real household disposable incomes remaining under pressure. As this pressure eases, expansion should strengthen over the next couple of years before moderating again in the final year of the forecast period.

Infrastructure

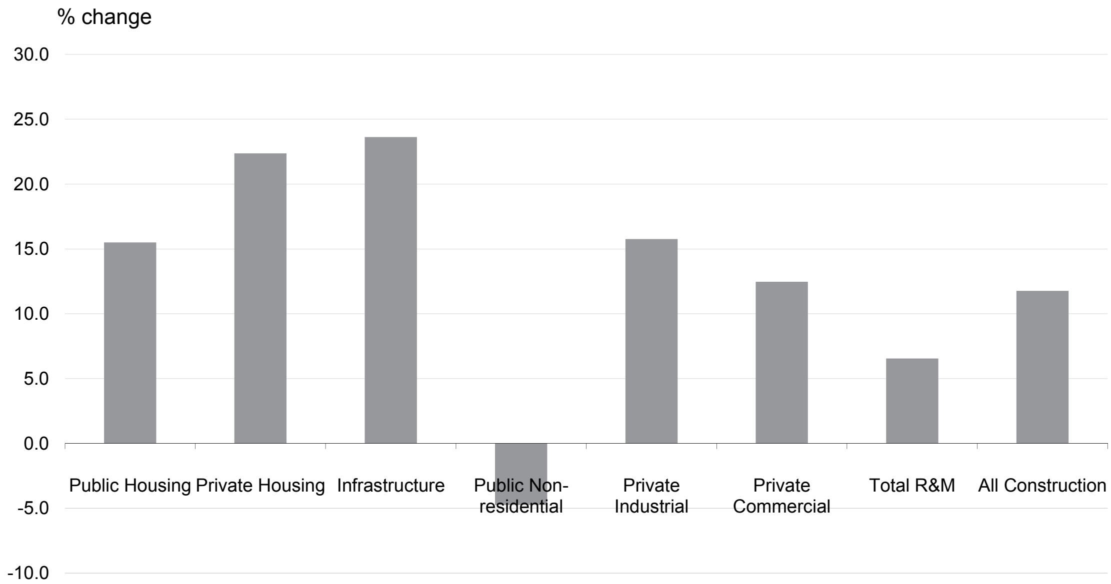
- The strongest growth across all sectors is predicted for new infrastructure, with output projected to be 24 per cent higher in 2016 than in 2013. The forecast outturn of £16.4bn in 2010 prices in 2016 would be a new historic high. The sector will continue to be driven by improvements to the nation's transport infrastructure, work to ensure that we have enough energy capacity in the future to meet anticipated demand and the move to renewable energy generation to meet our carbon emission reduction commitments. The largest of the transport projects currently on site have already been mentioned and into the mix during the forecast period will come the new Mersey Crossing, further upgrades to the motorway and trunk road network, such as the £314m widening of the A1 between Leeming Bar and Barton - a project that was originally cancelled when the coalition government came to power in 2010 - and rail works such as the electrification of the Great Western Main Line. On the energy side, main works are finally expected to start on the first of the new nuclear build projects at Hinkley Point in 2014 after EDF Energy and the government finally agreed a 'strike price' for the electricity generated from the station once commissioned. However, there remains some uncertainty over this as the European Commission has still to ensure that the deal does not infringe European Union state aid rules.

Non-residential building

- Given that the government has signalled that austerity measures will continue to 2018 and that departments are expected to find a further 6.5 per cent of cuts in 2014/15, it is unlikely that the public non-residential construction sector will show any growth over the forecast period. However, there are likely to be winners and losers across the sub-sectors in the next few years. While the prospects for publicly-funded schools & colleges construction remains muted, the universities sub-sector is likely to see some growth in the short-term, with the Universities of Northampton, Surrey, Wolverhampton, Salford and Manchester all taking forward expansion schemes over the forecast period. The publicly-funded health construction sub-sector will benefit from the reclassification of the redevelopment of the Royal Liverpool hospital, due to start in 2014, as the majority of the funding will now come from the public purse.

- It looks like activity on the new factory projects in the automotive sector has already peaked and may be beginning to head downwards; growth thus is expected to be strongest in the warehouses sub-sector going forwards. New distribution and logistics facilities are planned for Peterborough, north-west Leicestershire, Aberdeen and the Medway and there should be ongoing works on the development of the London Gateway Logistics Park, upon which some £1bn of schemes should be taken forward over the next decade.
- Six months ago, our forecasts for commercial construction were still quite negative for 2014 and 2015 given that despite improving demand, little was being signalled in the way of new development over the following 18 months. New orders growth has remained quite moderate given that the sector is coming back from a very low base, with an increase of 11 per cent in the first three quarters of 2013 compared with the corresponding period of the previous year. Thus despite the sudden surge in output in the third quarter of last year we are remaining fairly cautious about the prospects for the sector, although at least it is showing some growth. The office development pipeline in London seems strong and there has been a return of speculative development in some of the regional markets in recent months, a trend that is expected to strengthen over the next 12 months. Thus the office construction sub-sector is expected to be the strongest in the commercial sector over the forecast period. The outlook for retail and leisure is more muted. Retail sales growth has tailed-off somewhat and the rise of online retail continues apace, further eroding the need for a high street presence. Having said that, the pipeline of retail developments has expanded a little in recent months, with projects in Leeds, Croydon and Brent Cross due to start during the forecast period. The strength of growth in leisure construction could be heavily predicated on the go-ahead for work on the proposed £2bn Paramount Park in north Kent during the forecast period.

GROWTH IN CONSTRUCTION OUTPUT BY SECTOR, 2014 TO 2016

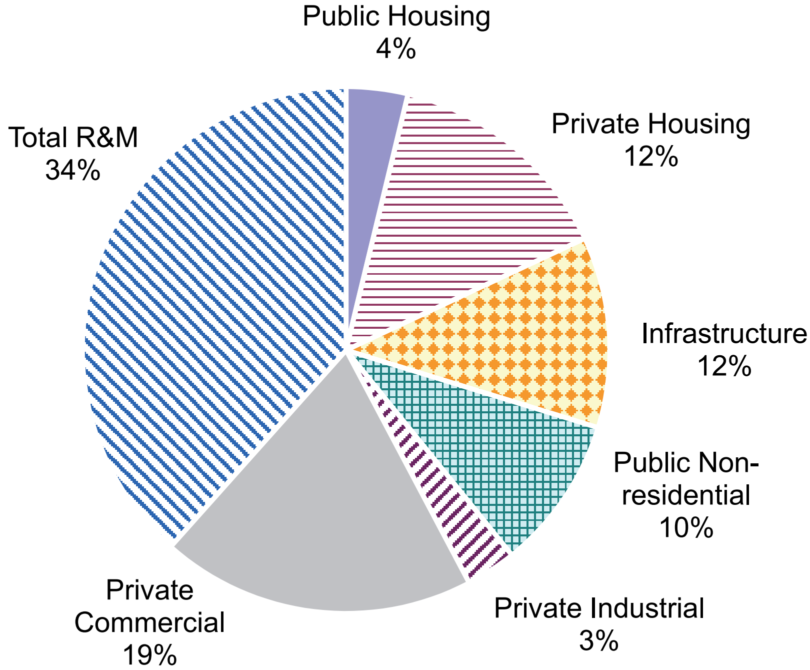


Source: Experian.

THE RISKS TO THE FORECAST

- It is interesting that we have probably reached a point at which the balance of risks on the upside and downside is roughly in equilibrium.
- On the global economic side, the proposed tapering of quantitative easing by the Federal Reserve in the U.S. could lead to widespread sales of government bonds, putting further pressures on already stretched public finances, as well as possibly triggering renewed volatility in financial markets with adverse economic consequences particularly where high levels of debt persist; while in the Eurozone, if growth remains muted, this would impact on prospects for UK exports for which we have factored in strengthening growth over the forecast period.
- On the upside a strong rebound in fixed investment, which reinforces the house-building recovery already well under way, would add impetus to next year’s upturn. If at the same time a stronger Eurozone revival were to boost exports, GDP growth would be higher than the 2.3 per cent in the baseline forecast.
- A major worry for the economy as a whole and for construction specifically is that average earnings growth remains significantly lower than inflation for a longer period of time than is currently forecast, keeping up pressure on real disposable incomes. Were this to be the case, there is likely to be one of two outcomes. The first is that growth in consumer spending slows as consumers retrench once again, leading to lower GDP growth and a knock-on effect particularly on commercial construction. The second is that consumers continue to raid savings and increase debt, which seems to be what has happened in 2013, thus taking us back to the scenario of a credit-fuelled boom, one that government was seeking to avoid.
- Having said that, concerns over consumer spending growth have to a certain extent already been factored into our relatively modest growth rates for commercial construction over the forecast period. Sustained growth in consumer spending built upon the solid foundation of rises in real disposable incomes could provide the impetus for better growth in the sector.
- There is also a high element of uncertainty regarding the private housing forecasts at present, not so much for 2014 but beyond that year. We are not so much concerned about the effects of a possible house price bubble as the Bank of England has already signalled that it will take action on this issue if necessary by redirecting the Funding for Lending scheme away from the mortgage market, but more about what will happen once the £12bn of mortgage guarantees in the Help to Buy scheme runs out, which could be as early as late 2014. By then it is hoped that the sector will have developed its own growth dynamic, but there is a very real possibility that expansion in the sector could stall or even go into reverse.
- Finally, once again on a more macro level, the latest data confirm that output gains are being driven by employment and that productivity remains very low. This may bode ill for future economic performance and competitiveness unless addressed. However, this would require a marked slowdown in employment creation going forward which could impact on consumer confidence and household spending growth, particularly if average earnings growth remains low.

CONSTRUCTION OUTPUT BY SECTOR, 2012



Source: ONS.

CONSTRUCTION OUTPUT

chain-linked £ million in 2010 prices
annual percentage change

					Est.	Forecasts		
	2009	2010	2011	2012	2013	2014	2015	2016
Public Housing	3188	4893	4998	4196	4364	4800	5040	5040
	+2.6	*+53.5*	*+2.1*	*-16.0*	*+4*	*+10*	*+5*	*nc*
Private Housing	12613	14839	16186	15829	17254	18979	20497	21112
	-31.3	*+17.6*	*+9.1*	*-2.2*	*+9*	*+10*	*+8*	*+3*
Total Housing	**15801**	**19732**	**21184**	**20025**	**21617**	**23779**	**25538**	**26152**
	-26.4	***+24.9***	***+7.4***	***-5.5***	***+8.0***	***+10.0***	***+7.4***	***+2.4***
Infrastructure	**10767**	**13540**	**14705**	**13025**	**13286**	**14587**	**15900**	**16425**
	+14.7	***+25.8***	***+8.6***	***-11.4***	***+2***	***+10***	***+9***	***+3***
Public Non-residential	10988	14372	13384	10466	9733	9490	9281	9272
	+20.9	*+30.8*	*-6.9*	*-21.8*	*-7*	*-3*	*-2*	*-0*
Private Industrial	3178	3551	3209	3427	3187	3315	3480	3689
	-29.8	*+11.7*	*-9.6*	*+6.8*	*-7*	*+4*	*+5*	*+6*
Private Commercial	24053	23710	24296	21492	22352	23022	23943	25140
	-25.1	*-1.4*	*+2.5*	*-11.5*	*+4*	*+3*	*+4*	*+5*
Total Non-residential	**38219**	**41633**	**40889**	**35385**	**35272**	**35827**	**36705**	**38101**
Building	***-16.4***	***+8.9***	***-1.8***	***-13.5***	***-0.3***	***+1.6***	***+2.5***	***+3.8***
TOTAL NEW WORK	**64787**	**74905**	**76778**	**68435**	**70175**	**74194**	**78143**	**80679**
	-15.4	***+15.6***	***+2.5***	***-10.9***	***+2.5***	***+5.7***	***+5.3***	***+3.2***
Public Housing R&M	7371	7871	7227	7284	6993	7063	7204	7204
	-2.7	*+6.8*	*-8.2*	*+0.8*	*-4*	*+1*	*+2*	*nc*
Private Housing R&M	13471	14405	14538	13755	14030	14451	15174	15477
	-12.6	*+6.9*	*+0.9*	*-5.4*	*+2*	*+3*	*+5*	*+2*
Public Non-residential	8653	5074	5002	4858	5004	5004	5054	5104
R&M			*-1.4*	*-2.9*	*+3*	*nc*	*+1*	*+1*
Private Non-residential	14179	8289	8873	9003	9003	9183	9458	9742
R&M			*+7.0*	*+1.5*	*nc*	*+2*	*+3*	*+3*
Infrastructure		6841	7680	7767	8078	8159	8240	8405
R&M			*+12.3*	*+1.1*	*+4*	*+1*	*+1*	*+2*
TOTAL R&M	**43674**	**42480**	**43319**	**42667**	**43107**	**43859**	**45130**	**45932**
	-9.8	***-2.7***	***+2.0***	***-1.5***	***+1.0***	***+1.7***	***+2.9***	***+1.8***
TOTAL ALL WORK	**108461**	**117385**	**120097**	**111102**	**113282**	**118052**	**123272**	**126611**
	-13.2	***+8.2***	***+2.3***	***-7.5***	***+2.0***	***+4.2***	***+4.4***	***+2.7***

Note: Non-residential R&M breakdowns in 2010 prices are calculated by applying current price shares.

Prior to 2010 infrastructure R&M was included in the public and private non-residential R&M data series.

Sources: ONS and Experian.

1. The macroeconomic outlook

KEY UK MACROECONOMIC INDICATORS					
				annual percentage change	
	Actual	Est.		Forecasts	
% change year-on-year in real terms unless otherwise stated	2012	2013	2014	2015	2016
GDP	0.1	1.4	2.3	2.3	2.4
Household consumption	1.2	1.9	2.2	2.1	2.4
Government consumption	1.7	0.5	0.2	-0.6	-1.1
Gross fixed investment	0.9	-2.5	6.7	6.6	6.1
Bank Rate (average for year)	0.5	0.5	0.5	0.6	1.5
CPI (annual)	2.8	2.7	2.1	2.3	2.3

Source: ONS, Experian.

1.1 GLOBAL BACKGROUND

Output and trade

- The global economy, though remaining on a recovery path, disappointed in the second half of 2013. Many emerging market economies lost momentum following financial market volatility in the wake of the U.S. Federal Reserve's announcement that Quantitative Easing (QE) could soon end, while the Eurozone's performance remained weak, with growth in the third quarter of 2013 easing to just 0.1 per cent.
- The European Central Bank (ECB) responded to muted growth, very high unemployment in several countries and fears of deflation by cutting short-term rates to a record low of 0.25 per cent in November. The move will help exports by keeping the euro competitive but the recovery remains fragile and prospects for 2014 are for tepid growth at near 1 per cent. A positive feature of the outlook is that the decline in output in periphery Eurozone countries seems to be ending. Without the drag on overall Eurozone growth from GDP declines in these countries, prospects for 2015 and 2016 are improving, with expansion approaching 2 per cent expected in both years.
- Data for the U.S. remain encouraging and the underlying recovery is gaining momentum. Consumer spending is solid amid strongly rising employment, and business investment is picking up after a modest rise in 2012.Tight government finances will curb growth, but GDP is expected to reach 2.7 per cent in 2014 and near 3 per cent in each of the following two years.
- In Asia, prospects are mixed but generally encouraging. China is on track to post growth at near 7.5 per cent over the next few years, down from previous growth rates but consistent with the authorities' objectives of promoting financial stability and moving the economy to a more balanced and sustainable growth path. In India growth has slowed markedly this year and measures to combat high inflation will hamper growth in 2014. In Japan, prospects are brighter than for many years highlighting the success of Prime Minister Abe's economic strategy. We expect GDP expansion at around 1.5 per cent a year to 2016, contributing to annual growth in Asia Pacific at near 5 per cent.

Key risks

- Renewed financial market turmoil when the Fed's QE tapering programme begins in earnest could hamper growth in emerging markets, constraining world trade and damaging growth prospects in the rest of the world.

- There is a general risk that when central bank support through QE is reversed, a widespread dumping of government bonds will raise yields significantly, increasing pressure on government finances. Efforts to restore viability to public finances would seriously hamper growth prospects in still fragile economies.
- While the risk of Eurozone fragmentation has diminished, the euro area is still a cause for concern. If weakness in the Eurozone economy persists for much longer than expected in the base case, exports of trade-dependent economies will remain constrained posing a drag on global growth in the next few years.

1.2 THE UK ECONOMY

Recovery well-established and strengthening

- The UK economic recovery is firmly on track. GDP growth in the third quarter of 2013came in at 0.8 per cent quarter-on-quarter after 0.7 per cent in the previous quarter; employment is responding strongly to output gains; consumer confidence has risen markedly this year; and anecdotal evidence strongly suggest that momentum was maintained in the fourth quarter.
- The final estimate of third quarter 2013 GDP released in December confirmed that the economy grew by 0.8 per cent in volume terms between the second and third quarters of 2013. But there were marked upward revisions to earlier data. New estimates for household consumption led to upward revisions for GDP since the first quarter of 2012. The latest data show that between 2011 and 2012, GDP in real terms rose by 0.3 per cent, an upward revision of 0.2 percentage points from the previously published 0.1 per cent increase. And GDP increased by 1.9 per cent when comparing the third quarter of 2013 with the same period a year ago, revised up 0.4 percentage points from the previously estimated 1.5 per cent increase.

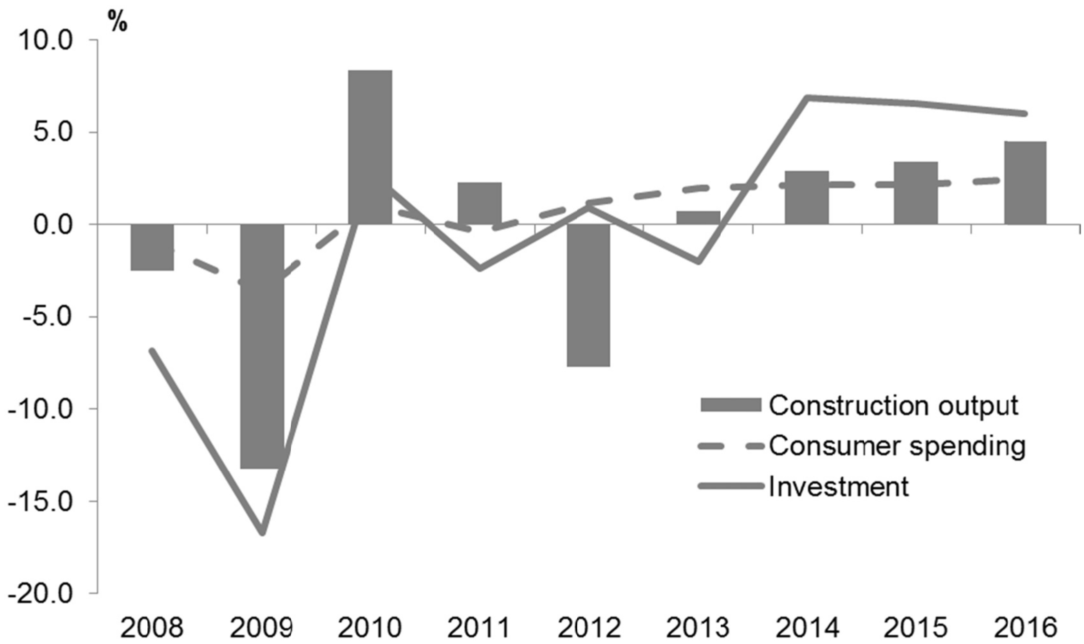
Prospects bright for 2014 but headwinds persist

- Prospects for 2014 look bright. The economic recovery seems firmly entrenched as the flow of strong data that has emerged over the past year continues to outweigh weaknesses and defy the headwinds that seemed likely to constrain expansion. Buoyant services, manufacturing and construction activity alongside strong employment gains underpin our forecast that GDP growth will reach 2.3 per cent in 2014. Growth at this pace assumes a sustained upswing in household spending, a strong recovery in business investment and an export revival.
- But none of these is assured. Risks persist that in the worst case could even derail the recovery. These risks are: i) The weakness in real household incomes - real earnings are still falling and if nominal earnings fail to pick up significantly from the recent rate of 0.8 per cent, household spending growth is likely to fall short of the 2.2 per cent in the base case. ii) A failure of business investment to recover. While overall investment is growing, boosted by house-building, a strong and sustained pick-up in business investment is vital to secure GDP growth at the expected rate. iii) The export recovery fails to materialise – if widespread Eurozone weakness persists into 2014 and UK exports struggle, GDP growth would suffer.
- In 2015 and 2016, we expect the upward trend in fixed investment assumed in the base case to remain strong, accompanied by ongoing solid progress in household spending and exports, which will benefit from improving Eurozone demand. This combination will sustain GDP growth at 2.3 per cent in 2015 rising to 2.4 per cent in the following year.

Consumer spending and investment

- Household spending was resilient in the third quarter of 2013, increasing for the eighth consecutive quarter despite weak real disposable income growth, including marked declines in the fourth quarter of 2012 and first quarter of 2013. The level of household expenditure was 2.5 per cent higher in the third quarter of 2013 than a year earlier. While real household disposable incomes rose by just 0.4 per cent in the year to September 2013 rising credit and a fall in the savings ratio from 7.8 in the third quarter of 2012 to 5.4 supported spending.
- Resilience in household spending is likely to continue, despite pressure on real incomes persisting in the near term. This reflects a continuation of favourable trends which have supported spending in recent quarters, specifically the sharp rise in employment in recent months, a rapid improvement in consumer sentiment since May, a buoyant housing market and strong consumer credit growth. Helped also by an increase in real incomes of 1.1 per cent after a small fall in 2013, spending growth is expected to pick up to 2.2 per cent in 2014 compared with 1.9 per cent last year. As the economic upswing proceeds in 2015 and 2016, consumer spending growth is likely to edge up to an annual rate of 2.5 per cent.

CONSTRUCTION OUTPUT VS CONSUMER SPENDING AND INVESTMENT



Source: ONS, Experian

- Fixed investment has been depressed for several years, decreasing at an annual average rate of 3.2 per cent in the period 2008-12. The impact on construction of extremely weak consumer spending and investment is highlighted in the chart above, but things are improving on the investment side as well as on the household spending side.
- Investment will be boosted by the current buoyant housing market and the brighter overall economic outlook. We expect growth to exceed 6 per cent in each of the three years 2014-16 as businesses boost spending to make up for the extreme weakness of the past six years.

Public finances

- Government finances have benefited from the strongly improving economy. Tax revenues have been boosted and public sector borrowing in April to October 2013/14 was £10 billion lower than in the corresponding period of the previous fiscal year. A deterioration in November is expected to be temporary.

- Despite the underlying improvement in the fiscal position, public sector net debt/GDP is still rising as the budget remains in substantial deficit. From 71.0 per cent in March 2012 the figure rose to 76.6 per cent in November 2013 and is likely to rise to over 80 per cent by 2015.
- On a brighter note, the December Autumn Statement indicated that a small budget surplus could be achieved by 2018, which would reduce the debt/GDP figure.

Labour market – strong employment growth

- Latest figures show continuing strength in the UK labour market. The key features for August-October 2013, compared with May-July were:
    - Employment remained on a strongly rising path (up 250,000, taking the rise over the past year to 485,000 and reaching a new record of 30.086 million in employment)
    - The number unemployed fell by 99,000
    - The unemployment rate fell from 7.7 per cent to 7.4 per cent
    - In contrast to buoyancy on the employment front, wage growth is still extremely muted. Average weekly earnings including bonus payments rose by just 0.9 per cent.
- The latest data confirm that output gains are driven by employment and that productivity remains very low. This may bode ill for future economic performance, but should support consumer spending into 2014. The recent substantial gain in employment will help offset the persistent gap between earnings growth (0.9 per cent including bonuses) and CPI inflation (2.1 per cent in November). This will allow household spending to grow steadily and sustain overall growth at a time when a stronger contribution from investment and exports is not yet assured.

Inflation down to 2.1 per cent

- Consumer price Inflation (CPI) edged down slightly in November to 2.1 per cent, from 2.2 per cent in October. This is the lowest annual rate recorded since November 2009
- These figures reinforce the view that underlying price pressures remain subdued. Service sector inflation fell further from 2.7 per cent in October to 2.6 per cent in November, despite strong output gains in recent months. Sterling's appreciation against the US dollar is also helping contain imported price pressures.
- The gap between earnings and inflation has narrowed further, and alleviates concerns that falling real incomes will act as a drag on overall growth in the coming year. But this concern persists. We may yet see inflation creeping up again once the increases from utility and fare prices enter the index. As ever, an unfavourable development in oil and food prices remains a key risk. But overall, the figures suggest that the recovery can continue to progress at a healthy pace with CPI inflation averaging little over 2 per cent.

Interest rates – end of the ultra-low rate regime in prospect

- The marked improvement in the economic outlook will mean that rates will need to rise earlier than the Bank of England's initial forward guidance date of 2016. It now seems likely that mid-2015 will see the beginning of an upward phase in the rate cycle. The markets are pricing in a rise in Bank Rate at that time given recent labour market and output strength. If the recovery gathers momentum and the housing and credit markets show worrying tendencies, an earlier rise cannot be ruled out.

- Further support from monetary policy is unlikely. QE will remain at £375 billion. The next challenge will be to unwind this position.

Sterling gains in recent months

- After six months of stability, sterling has risen by almost 9 per cent against the dollar and by some 5 per cent against the euro since August. We expect sterling to make modest gains against the euro next year but to stabilise against the US$, as US economic prospects remain upbeat, while the Eurozone economy is set to see only tepid growth. But the recent upswing in sterling, while good news on the inflation front, provides an additional challenge for exporters.

UK still faces serious risks

The risks surrounding our forecasts are predominantly on the downside, but there is a modest upside risk that UK growth will be better than in the central case.

- The economy remains dependent for growth in the near term on household demand, given the uncertainty or known weakness in other components of GDP (investment, exports and government spending). A prolonged squeeze on household incomes poses a risk to the growth forecast. Real incomes are still under pressure and if nominal earnings fail to pick up significantly from the recent rate of 0.9 per cent, household spending growth could fall short of the 2.2 per cent assumed in the base case for 2014.
- The Eurozone's problems still cast a cloud over future performance. While the fragmentation threat has diminished considerably, it could still flare up again, posing a major threat to European financial stability. More likely (but less catastrophic) is that the euro area fails to achieve meaningful growth in the next few years, hampering UK exports. Uncertainty regarding the UK's future in the EU could also depress investment, especially from foreign investors.
- Medium-term growth prospects are threatened by the need to address government and household debt. This will pose a constraint to GDP growth, which might remain below trend for several more years. A particular threat to heavily-indebted households comes from the prospect of a steady rise interest rates before real incomes are rising at a healthy pace.
- There are however upside risks to the central forecast. A strong rebound in fixed investment reinforcing the house-building recovery already well under way would add impetus to next year's upturn. If at the same time a stronger Eurozone revival were to boost exports, GDP growth would be higher than the 2.3 per cent in the baseline forecast.

MACROECONOMIC FORECASTS	Actual	Est.		Forecasts	
% change year-on-year in real terms unless otherwise stated	2012	2013	2014	2015	2016
OUTPUT AND UNEMPLOYMENT					
GDP	0.1	1.4	2.3	2.3	2.4
Manufacturing output	-1.5	-0.3	2.4	1.6	1.5
Unemployment rate (ILO - %)	7.9	7.6	7.2	6.6	6.2
HOUSEHOLDS (incl. NPISH)					
Consumption	1.2	1.9	2.2	2.1	2.4
Real household disposable income	1.5	-0.2	1.1	1.7	1.7
Savings ratio (%)	7.0	5.3	4.4	4.0	3.4
Total household income (current prices)	3.4	3.7	3.6	3.8	3.9
GROSS CAPITAL FORMATION					
Gross fixed investment	0.9	-2.5	6.7	6.6	6.1
General government	0.7	-6.1	5.5	1.4	1.9
Business investment	2.6	-5.3	6.1	7.8	7.5
Private sector dwellings	-2.5	6.0	8.4	7.2	5.6
Public sector dwellings	-34.1	5.3	-5.9	3.0	2.1
OTHER EXPENDITURE					
Government consumption	1.7	0.5	0.2	-0.6	-1.1
Exports (G & S)	1.0	1.0	3.0	5.3	5.8
Imports (G & S)	3.1	1.7	3.9	4.4	5.0
WORLD VARIABLES					
Volume of world trade	2.5	3.6	5.3	5.5	5.5
World GDP	3.2	2.9	3.6	3.8	4.2
Eurozone GDP	-0.6	-0.5	1.0	1.7	1.8
Brent crude oil price ($ per barrel)	110.4	108.0	101.3	100.4	102.3
INTEREST AND EXCHANGE RATES (year averages)					
Sterling - US Dollar exchange rate	0.63	0.64	0.63	0.62	0.61
Sterling - Euro exchange rate	0.81	0.85	0.83	0.80	0.78
Bank Rate (%)	0.5	0.5	0.5	0.6	1.5
- quarter 4 average	0.5	0.5	0.5	0.9	1.9
Govt 10yr bond yield (%)	1.8	2.3	2.9	3.4	3.4
COSTS AND PRICES					
Retail Price Index (Q4)	3.1	2.8	3.0	3.3	3.9
CPI (annual)	2.8	2.7	2.1	2.3	2.3
House prices (year-on-year - DCLG measure)	1.7	4.2	6.0	5.5	5.1

Source: ONS, Experian.

NB The above forecasts were locked on 10 December 2013, a few days before the ONS published new estimates for household consumption that have led to upward revisions for GDP since 2012q1.GDP growth in 2012 is now estimated at 0.3 per cent, and the 2013 figure could be 0.4 percentage points higher than shown above. Similarly, the 2014 growth forecast could be lifted to 2.7 per cent as a result of the revision.

2. Housing

HOUSING CONSTRUCTION OUTPUT								
					Est.	Forecasts		
	2009	2010	2011	2012	2013	2014	2015	2016
Private Housebuilding								
£ million (2010 prices)	12613	14839	16186	15829	17254	18979	20497	21112
Annual % Change	*-31.3*	*17.6*	*9.1*	*-2.2*	*9*	*10*	*8*	*3*
Public Housebuilding								
£ million (2010 prices)	3188	4893	4998	4196	4364	4800	5040	5040
Annual % Change	*2.6*	*53.5*	*2.1*	*-16.0*	*4*	*10*	*5*	*0*
All Housing								
£ million (2010 prices)	15801	19732	21184	20025	21617	23779	25538	26152
Annual % Change	*-26.4*	*24.9*	*7.4*	*-5.5*	*8.0*	*10.0*	*7.4*	*2.4*

Source: ONS and Experian.

Total housing output is expected to have bounced back in 2013 after a fall of 5.5 per cent in 2012, with growth of around 8 per cent. Further strong expansion is predicted for 2014 and 2015, driven equally by the public and private sectors in the former year, but private housing takes over as the main engine of growth thereafter.

By 2016 public housing output is projected to be at a new historic high since the start of the chain-linked data series in 1997, while private housing will still lag its 2006 peak by 12 per cent.

Social housing providers have proved adept at sourcing financing from other sources than the public purse over the past year, with a total borrowing facility of £69bn in September 2013 according to the Homes and Communities Agency (HCA), enough to deliver planned programmes of work to April 2015.

The proposed new 2015-2018 Affordable Homes Programme (AHP) will have approximately the same amount of funding in it on an annualised basis as the 2011-2015 one, but over a shorter time frame.

The Government's Help to Buy (HtB) scheme is undoubtedly helping to stimulate activity in the private housing market. Currently there are a raft of indicators and surveys showing positive news for the sector. The latest Home Builders Federation Survey suggests that demand for new homes continues to rise as firms reported the eleventh successive monthly increase in site visitors in October (+45), whilst the balance for net reservations was also strongly positive at +46. The Federation of Master Builders third quarter State of Trade Survey showed a positive balance of 11 per cent of firms reporting higher rather than lower workloads in the new private housing sector.

However there are concerns that if demand created as a result of the HtB scheme is not met by house builders, a house price bubble will emerge. To combat this possibility, the Chancellor has given more powers to the Bank of England (BOE)'s Financial Policy Committee (FPC) to take action to calm the market if deemed necessary. The FPC will review the HtB programme on an annual basis from September this year. An announcement has already been made that households will no longer be able to borrow funds from the Funding for Lending Scheme from February 2014.

2.1 PUBLIC HOUSING

Output & orders

- After reaching a new high in 2011, in 2012 public housing output dropped by 16 per cent to £4.2bn (2010 prices). In the first nine months of last year, the sector registered growth of 3 per cent to £3.2bn when compared to the corresponding period in the preceding year. After falling for seven consecutive quarters, on a four-quarter moving total basis output increased for the second successive quarter in the three months to September 2013.
- Public new housing orders fell for the second successive year in 2012, by 3 per cent, to £2.4bn in 2005 prices. In the first three quarters of last year, orders jumped by 66 per cent to £2.9bn when compared to the same period in 2012. In the three months to September 2013, quarterly orders stood at £1.1bn – the highest level since the third quarter of 1993.

PUBLIC HOUSING ORDERS AND OUTPUT

	Orders		Output	
	£ million (2005 prices)	*% change y-on-y*	£ million (2010 prices)	*% change y-on-y*
2008	2740	*-17.2*	3108	*-9.7*
2009	3030	*10.6*	3188	*2.6*
2010	3312	*9.3*	4893	*53.5*
2011	2505	*-24.4*	4998	*2.1*
2012	2442	*-2.5*	4196	*-16.0*
2012 Q1	536	*-35.2*	1109	*-16.9*
Q2	559	*-7.1*	1015	*-22.2*
Q3	626	*7.4*	1034	*-12.7*
Q4	721	*46.2*	1037	*-11.7*
2013 Q1	753	*40.5*	1006	*-9.3*
Q2	994	*77.8*	1109	*9.3*
Q3	1112	*77.6*	1122	*8.5*

Source: ONS.

Starts & completions

- The Welsh government discontinued publication of housing starts data broken down by tenure in April 2011 due to concerns over the accuracy of the split between public and private. Due to the relatively small number of public housing starts in Wales, in terms of analysis, we are including these in Welsh private housing starts.
- In the first half of last year, the number of English and Scottish public housing units started rose by 18 per cent to 13,213 when compared to the corresponding period of the preceding year. Whilst Scottish starts fell by 32 per cent to 1,673 units, the English ones went up by 32 per cent to 11,540 units. In the first three quarters of 2013 English public housing starts increased by 21 per cent to 17,390 units when compared to the same period a year earlier.
- In the six months to June 2013 public housing completions in Great Britain fell by 30 per cent to 12,660 units compared with the corresponding period of 2012. While they fell in both Scotland (35 per cent) and England (31 per cent), public completions rose by 11 per cent in Wales. In the nine months to September 2013, English public completions declined by 19 per cent to 17,070 units when compared to the same period in 2012.

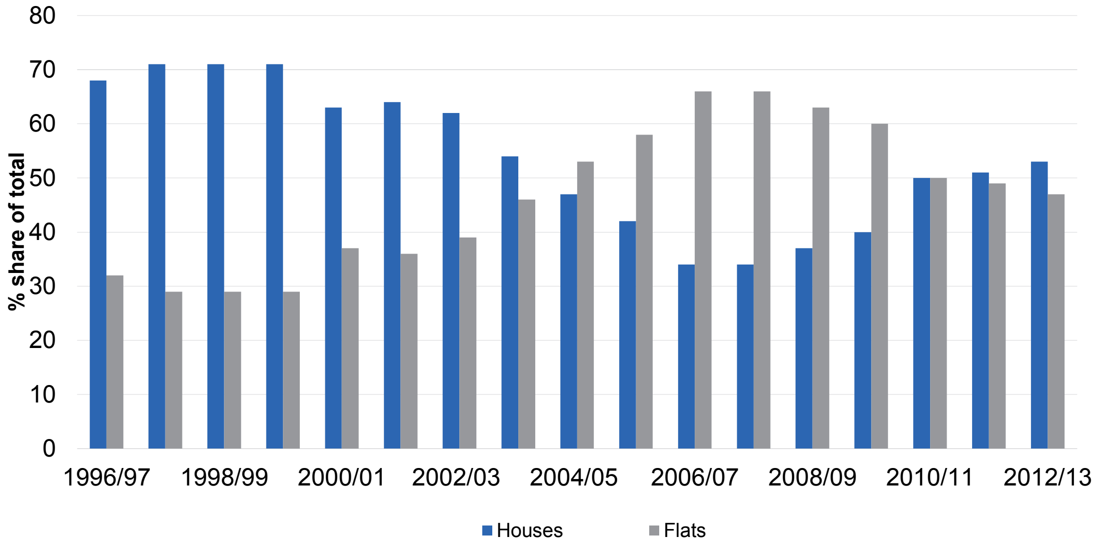
HOUSING STARTS AND COMPLETIONS								000s
					Est.		Forecast	
	2009	2010	2011	2012	2013	2014	2015	2016
Private Housing								
Starts	79	98	102	95	114	130	140	140
Completions	115	99	100	103	100	110	125	130
Social Housing								
Starts	27	32	30	24	30	32	32	30
Completions	35	30	34	32	26	29	33	34
Total								
Starts	105	131	132	119	144	162	172	170
Completions	150	130	134	136	126	139	158	164

Note: starts and completions are rounded to the nearest thousand.
Welsh housing starts no longer split betw een private and public thus are allocated to the private sector as the largest element.
Source: CLG and Experian.

Drivers

- As we reported in our autumn forecasts, a high number of providers have already secured sufficient funding for projects, with the latest Homes and Communities Agency's (HCA) *Quarterly Survey of Private Registered Providers 2013/14* for the second quarter showing that just over 90 per cent of respondents believe that their current debt facilities are sufficient for more than a year. In the three months to September 2013, providers' total borrowing facility was reported at £69bn, which is just slightly up on the £68.9bn registered in the previous quarter. Around £1.1bn worth of new facilities were arranged in the quarter.
- The HCA no longer includes London in its housing statistics for England as responsibility for funding social housing in the capital was transferred to the Greater London Authority (GLA) in April last year. Thus comparison of past and present performance in terms of units started is problematic. GLA statistics registered a total of 3,018 affordable housing starts between April 2012 and September 2013, whilst completions stood at 1,008. Unfortunately the GLA figures do not have breakdowns of starts and completions in the corresponding period of the preceding year and thus comparisons cannot be made.
- The next AHP is due to run from 2015-2018 with funding for the whole programme totalling £3.3bn, similar to the financing in the 2011-2015 one on an annualised basis, but a year shorter. The deadline for the new AHP bidding process is April 2014 and one element housing providers will be judged on is past performance.
- Latest data shows that in England the proportion of flats in public permanent dwellings completed fell for the fifth consecutive year, to 47 per cent, in 2012/13 and was at its lowest share since 2003/04.
- The second round of procurement has been completed under the original National Housing Trust (NHT) model in Scotland. Deals have been secured with 13 developers for the delivery of just over 1,000 homes across 10 council areas. The City of Edinburgh, Aberdeen City, Dundee City and Fife will all benefit from the latest round of the NHT initiative.

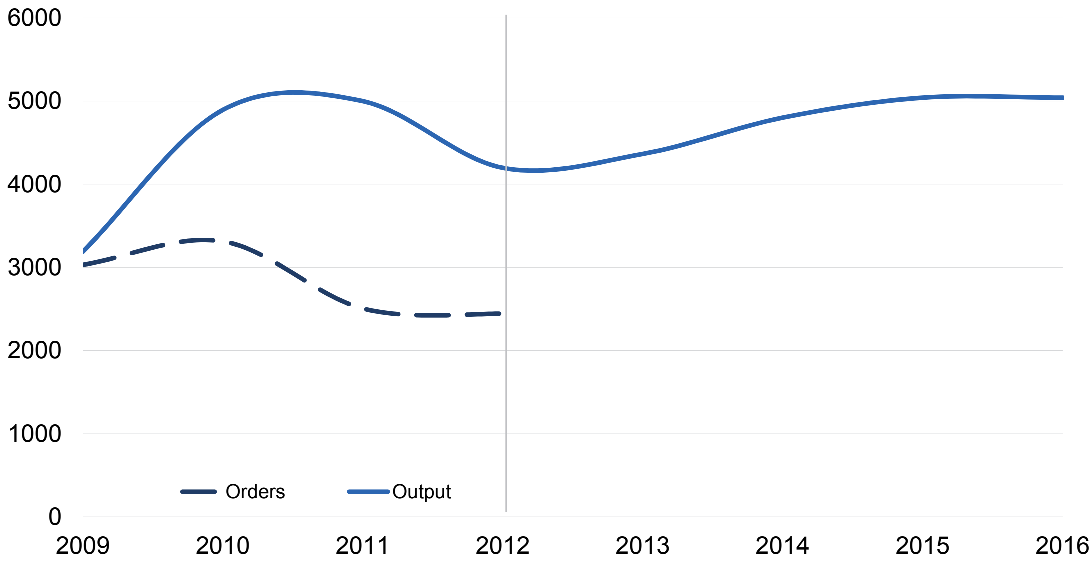
PUBLIC PERMANENT DWELLINGS COMPLETED, HOUSES/FLATS PERCENTAGE SHARE



Source: CLG.

- Newcastle City Council plans to spend around £130m in order to build 1,200 new homes on council owned land. The development should take place over the next five years as the city prepares itself for the economic upturn. Your Homes Newcastle, which is the council's arms-length housing management organisation, will construct around 750 homes with the rest being built by housing associations and other affordable housing providers. This housing project is part of a wider £450m construction scheme that is run by the council.

PUBLIC HOUSING ORDERS (2005 PRICES, £M) AND OUTPUT (2010 PRICES, £M)



Source: ONS, Experian.

Outlook

- Given the recent upswing in quarterly orders and the positive level of public housing starts figures released for 2013 so far, we have revised upwards our growth forecasts for public housing output in 2013 from 1 per cent to 4 per cent. We predict faster expansion this year as social housing providers utilise the funding already in place. However the 2015 general election could herald a period of uncertainty and this, together with a shorter AHP timeframe could lead to consolidation rather than expansion in the sector by 2016.

2.2 PRIVATE HOUSING

Output & orders

- Following two successive years of growth, private housing output fell by 2 per cent to £15.8bn in 2012. In the first three quarters of last year, the outturn for the sector increased by 7 per cent to £12.7bn when compared to the same period a year earlier. On a four quarter moving total basis, output went up for the second consecutive quarter in the three months to September 2013.
- In 2012 orders went up for the third successive year, albeit edging up by only 1 per cent to £9bn. This was the highest level since 2007, but was still only 61 per cent of the outturn for that year. In the nine months to September 2013, orders jumped by 34 per cent to £8.6bn when compared to the corresponding period of the preceding year.

PRIVATE HOUSING ORDERS AND OUTPUT

	Orders		Output	
	£ million (2005 prices)	*% change y-on-y*	£ million (2010 prices)	*% change y-on-y*
2008	8065	*-45.5*	18355	*-22.4*
2009	5529	*-31.4*	12613	*-31.3*
2010	8591	*55.4*	14839	*17.6*
2011	8943	*4.1*	16186	*9.1*
2012	9011	*0.8*	15829	*-2.2*
2012 Q1	2069	*-11.8*	4108	*4.3*
Q2	2099	*-1.5*	3905	*-4.1*
Q3	2240	*-0.3*	3840	*-7.0*
Q4	2603	*17.3*	3976	*-1.8*
2013 Q1	2620	*26.6*	3932	*-4.3*
Q2	3038	*44.7*	4311	*10.4*
Q3	2946	*31.5*	4477	*16.6*

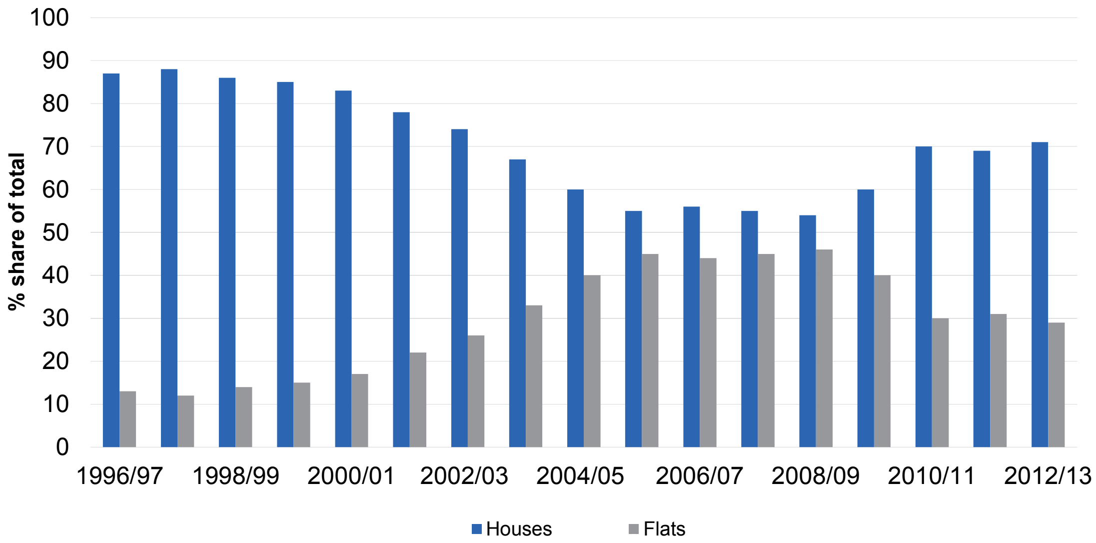
Source: ONS.

Starts & completions

- At the time of writing Scottish and Welsh private housing starts and completions statistics were available for only the first half of 2013 while for England they were published for the first three quarters of last year.

- Private housing starts in Great Britain (GB) in the first half of 2013 totalled 54,184 units, 16 per cent higher than in the corresponding period of the previous year. Between January and September 2013, private housing starts in England grew by 23 per cent to around 72,600 units when compared to the corresponding period of the preceding year. Around 26,380 private housing starts were recorded in the third quarter of last year which is the highest quarterly level since the first quarter of 2008.
- In contrast, private housing completions in Great Britain fell by 9 per cent to 48,655 units in the first half of 2013 when compared to the same period in 2012 although they jumped up by 14 per cent between the first and second quarters. In the nine months to September last year, English completions contracted by 5 per cent to 63,860 units year on year.

PRIVATE PERMANENT DWELLINGS COMPLETED, HOUSES/FLATS PERCENTAGE SHARE



Source: CLG.

- The proportion of flats in private completions declined to 29 per cent in 2012/13, from 31 per cent in 2011/12 and was at its lowest level since 2002/03. In terms of houses, those with three bedrooms saw the greatest share of home completions at 33 per cent whilst one bedroom homes had the lowest proportion of completions at just 1 per cent.

Drivers

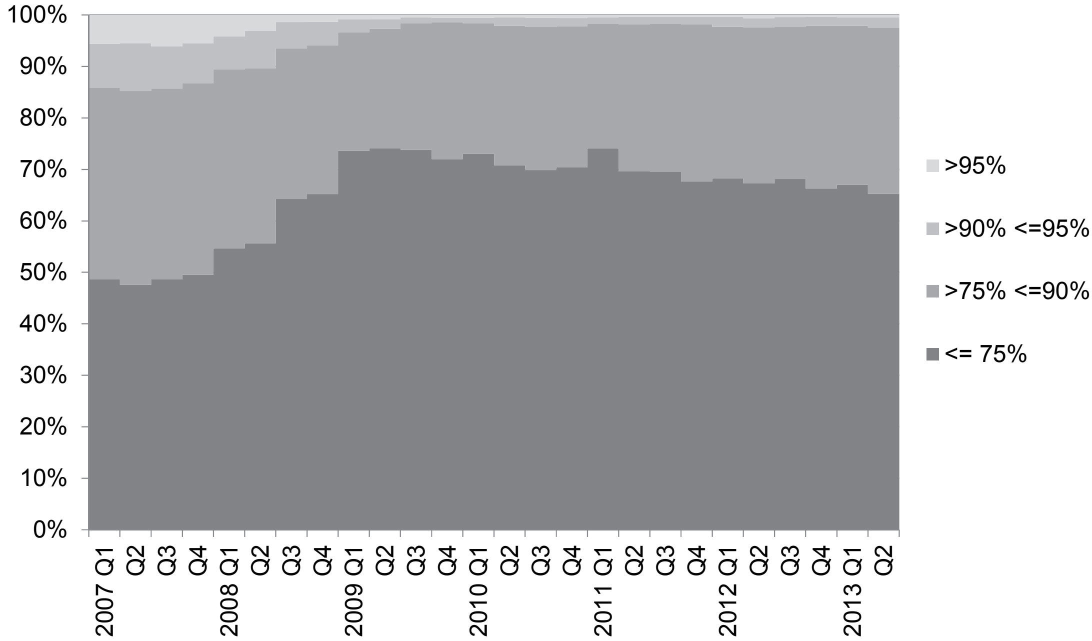
Demand factors

- There is little doubt that the HtB scheme is helping to kick start activity in the housing market. According to the Department for Communities and Local Government's *Help to Buy: Equity Loan scheme and NewBuy statistics* to September 2013, in England there were 5,375 new build properties bought with the support of the equity loan scheme in its first six months of running. The total value of properties sold under the scheme came to £1.04bn with the average price of a property bought at £194,167 and a typical equity loan of £38,703.
- A month after the mortgage guarantee part of the scheme was launched, lenders have reported a large rise in uptake. Over 2,000 applications have been made which is potentially worth £365m of new mortgage lending.

- Gross mortgage lending figures were positive in October as they reached their strongest levels for five years according to the Council of Mortgage Lenders (CML). At approximately £17.6bn, the figure was 37 per cent higher when compared to the corresponding period in the preceding year and it was also 9 per cent up when compared to the previous month. The CML predict that this momentum will continue into 2014.
- The latest Home Builders Federation (HBF) Survey indicates that demand for new homes continues to strengthen. House builders reported the eleventh successive monthly increase in site visitors in October (+45), whilst the balance for net reservations was also very positive at +46. For both September and October last year, firms reported a rise in net reservations and site visitors where historically the reading has been negative. It is thought the main reason for 2013's buoyant seasonal pattern is due to strong demand levels created by equity loan element of the HtB scheme.
- The Bank of England (BoE)'s *Credit Conditions Survey 2013 Q3* reported that the demand for secured lending for house purchase rose significantly in the three months to September 2013 when compared to the previous quarter and it is likely to have increased further still in the final quarter of the year. Lenders stated that the demand for credit card lending in the third quarter of 2013 remained in line with the previous three months and it is predicted to stay unchanged in the final quarter of last year.
- In its November 2013 report, the CML stated that that number of housing transactions in the UK rose to more than one million for the first time since 2007. However the number of purchases is still lower when compared to figures prior to the downturn. In the three decades before the 2008/09 credit crunch the number of transactions averaged around 1.5m per year. The early stages of the housing recovery have been led mainly by first-time buyers and cash purchasers. Buy-to-let investors have also played their part but to a lesser extent. At present there is no increase in the number of house purchases by movers.
- According to the BoE, there were 524,110 mortgage approvals in the nine months to September 2013, which is a rise of 16 per cent when compared to the corresponding period of preceding year. September's mortgage approvals rose for the third consecutive month, by 5 per cent, when compared to August 2013 and jumped by 34 per cent when compared to a year earlier.
- The various measures of house price inflation all showed an increase in the third quarter of 2013 when compared to a year earlier. The mix-adjusted house price index from the Office of National Statistics (ONS) showed the slowest rise in house prices of 3.6 per cent whilst the Nationwide and Halifax house price indices went up by 4.3 per cent and 6.2 per cent respectively. At the end of the first quarter of last year, Halifax house price inflation was just 1 per cent and the latest figures show the extent to the market has recovered in recent months.
- We are estimating an annual average house price increase of around 4 per cent between the 2013 and 2016 forecast period. Experian forecasts an annual average of the ONS's mix-adjusted house price index.

- The latest data from the Prudential Regulation Authority - formerly the Financial Services Authority show that since the first quarter of 2009, there has been a general decline in the proportion of gross lending for loans with a loan-to-value (LTV) ratio of less than 75 per cent, with more and more individuals able to access mortgage lending between the 75 per cent and 90 per cent LTV ratios. Whilst this is welcome news for those who may not have large sums of money to put down as a deposit, current 2013 data for the second quarter shows that approximately 35 per cent of total gross lending was for loans with an LTV ratio of 75 per cent or more, significantly lower than the 51 per cent that was registered at the beginning of 2007.

LOAN-TO-VALUE RATIOS AS A PERCENTAGE OF GROSS MORTGAGE LENDING



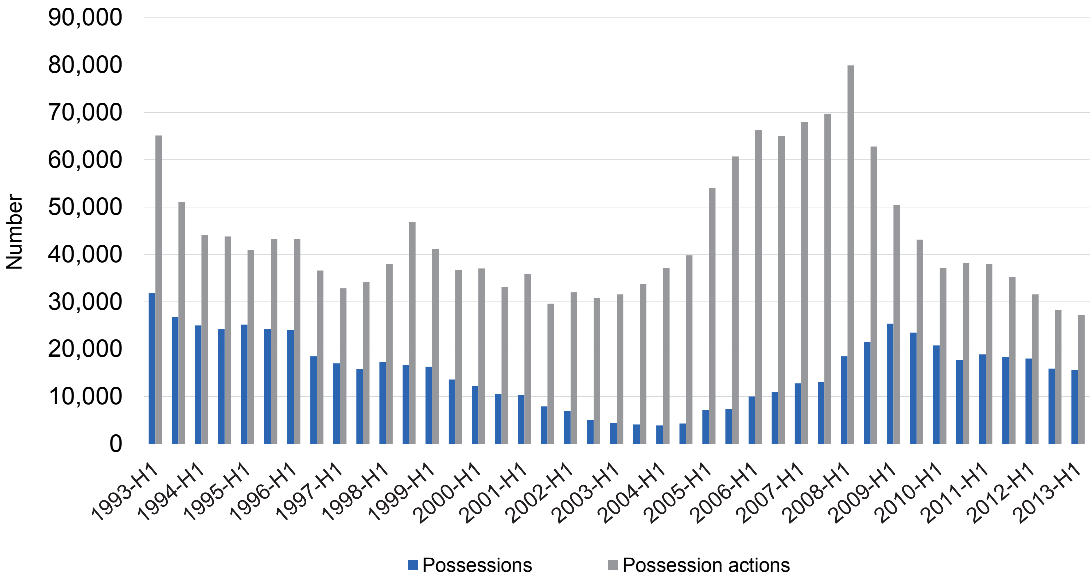
Source: FSA/CML.

- The downside risk to our private housing forecasts is that there are fears that if demand created as a result of the HtB scheme is not met by house builders, a house price bubble will emerge. In order to keep these fears at bay the Chancellor has given more powers to the BoE. The bank's Financial Policy Committee (FPC) will review the HtB programme on an annual basis from September this year and is able to make recommendations such as increasing the fees that Government charge, which raises the cost of loans thereby cutting demand. The FPC is also able to advise the chancellor on whether the £600,000 price cap should be cut. A bigger downside risk to the sector post 2014 could be what happens after the £12bn of mortgage guarantees currently in the HtB scheme runs out, which could be as early as the end of this year.
- The BoE and HM Treasury have announced that the new aim of Funding for Lending Scheme (FLS) extension is to support small and medium sized businesses with lending in 2014. As a result households will no longer be able to borrow funds from the FLS. However the first phase of this scheme, which ends at the end of January 2014 will be unaffected by this announcement. As well as improving lending to firms it is hoped that this change will also take some of the heat out of the housing market.
- Another potential downside risk is the changes that are going to be introduced to Capital Gains Tax (CGT). From April 2015, foreign owners of residential property that is not their main residence will be obliged to pay CGT. Whilst this is likely to discourage overseas investment

from some individuals as they seek to spend in other key property markets, over the longer term CGT is thought to have little effect as it is spread over a lengthy period. A large proportion of foreign buyers do not purchase UK property purely on the basis of paying less tax but they also think about a range of factors such as a safe political environment and its safe haven status, particularly in London.

- The number of possession actions placed in the first half of 2013 fell by 4 per cent to 27,257 when compared to the previous six months and was down by 14 per cent when compared to a year earlier. Despite this, the proportion of properties repossessed as a percentage of possession actions edged up to 57 per cent, from 56 per cent in the last six months of 2012.

POSSESSIONS AND POSSESSION ACTIONS



Source: CML.

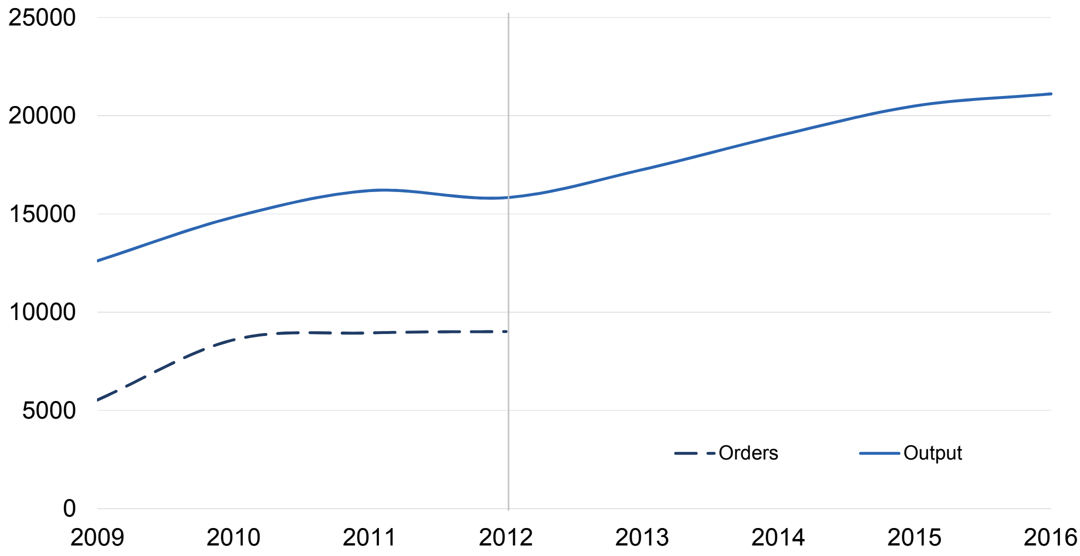
Supply factors

- In the three months to September 2013 approximately 71 per cent of firms considered planning delays as the greatest constraint on production according to the latest HBF Survey, up from 69 per cent three months earlier. Land availability (44 per cent), materials availability (44 per cent), labour availability (42 per cent) and land prices (39 per cent) were also seen as major factors holding back activity levels. Despite growing by 17 percentage points to 29 per cent, labour costs were seen as the smallest constraint on production.
- In terms for projects, a four-year £430m scheme based in Salford began in September last year. The regeneration of the Pendleton area will see the creation of 1,600 new homes, the modernisation of 1,250 more, new sports pitches and new usable green spaces.
- Plans have been revealed for the first new homes on a £200m housing development on Mount Oswald golf course in Durham. As part of the first phase there are going to be 61 units on a 12 acre section which will consist of four and five bedroom homes. Work on the two-year scheme could begin early this year with the first residents moving in before the end of the 2014. Work due to be carried out in the other phases include accommodation for around 1,000 students, 'an exclusive millionaires' row' and community facilities.

Outlook

- There is little doubt that the HtB scheme, both its equity and mortgage guarantee elements, are helping to drive up activity in the sector. House builders have been reporting positive news on the back of the first part of the HtB scheme with, for example, Taylor Wimpey stating that it had sold all the homes it had built in 2013 by mid-November.
- Thus it looks like 2013 will have been a better year for new private house building than expected six months ago when the impact of HtB was unknown. With £12bn of guarantees in the funding pot, the scheme should continue to drive good growth this year and next, but the Committee felt that starts could stall in 2016 as funding for the scheme could run out in the previous year.

PRIVATE HOUSING ORDERS (2005 PRICES, £M) AND OUTPUT (2010 PRICES, £M)



Source: ONS, Experian.

3. Housing repair, maintenance & improvement

HOUSING REPAIR, MAINTENANCE & IMPROVEMENT	Actual				Est.	Forecasts		
	2009	2010	2011	2012	2013	2014	2015	2016
Private Housing								
£ million (2010 prices)	13471	14405	14538	13755	14030	14451	15174	15477
Annual % Change	*-12.6*	*6.9*	*0.9*	*-5.4*	*2*	*3*	*5*	*2*
Public Housing								
£ million (2010 prices)	7371	7871	7227	7284	6993	7063	7204	7204
Annual % Change	*-2.7*	*6.8*	*-8.2*	*0.8*	*-4*	*1*	*2*	*0*
All Housing								
£ million (2010 prices)	20842	22276	21765	21039	21023	21514	22377	22681
Annual % Change	*-9.3*	*6.9*	*-2.3*	*-3.3*	*-0.1*	*2.3*	*4.0*	*1.4*

Source: ONS and Experian.

Consumer spending is predicted to have risen by 1.9 per cent in 2013 and despite the ongoing pressure on real incomes its resilience is expected to continue over the short term. By 2016 growth is expected to reach 2.4 per cent which would be the highest annual increase since 2007. However there remains the risk that if average earnings growth continues to lag increases in inflation for a significantly longer period than currently anticipated, consumers could retrench and household spending growth could be lower than presently forecast.

The momentum of Green Deal installations is slowly picking up with latest figures showing that around 594 households were at the pending stage where the plan has been signed and progress is being made to install agreed measures. In comparison the Energy Company Obligation (ECO) scheme has been much more successful with around 303,800 measures installed between January and September 2013.

However the Government has recently announced changes to the ECO scheme, such as reducing the subsidies available and extending its timeframe to 2017. These announcements have already affected the market with some energy firms holding back on funding for new projects until uncertainty around the scheme is resolved.

The Government has also proposed that homebuyers installing measures through the Green Deal could benefit from a stamp duty rebate of £1,000. This could rise to as much as £4,000 depending on the type of installation. However details about how the rebates will work in practise are unclear. Additional funding of £60m for local authorities and private landlords to carry out energy efficiency work has also been announced, taking the total amount of funding from this package of measures to £540m.

As the economic situation improves, spending on non-essential maintenance work should rise giving us growth in private housing RM&I output throughout the forecast period.

Public housing R&M is likely to have fallen in 2013 by around 4 per cent, to its lowest level since 2002. However, we expected some modest growth over the forecast period as local authorities combine with other social housing providers to take advantage of the funding schemes for retrofitting measures currently on offer.

3.1 PUBLIC HOUSING REPAIR, MAINTENANCE & IMPROVEMENT

Output

- After seeing an 8 per cent decline in 2011, public housing RM&I output edged up by 1 per cent to £7.3bn (2010 prices) in 2012. In the first nine months of last year output in the sector fell by 3 per cent to £5.3bn when compared to the corresponding period in the preceding year. On a four-quarter moving total basis, output went down for the second consecutive quarter in the three months to September 2013.

PUBLIC HOUSING RM&I OUTPUT

	£ million (2010 prices)	*% change y-on-y*
2008	7578	*3.1*
2009	7371	*-2.7*
2010	7871	*6.8*
2011	7227	*-8.2*
2012	7284	*0.8*
2012 Q1	1772	*-5.5*
Q2	1820	*-1.7*
Q3	1867	*5.8*
Q4	1825	*5.1*
2013 Q1	1781	*0.5*
Q2	1767	*-2.9*
Q3	1731	*-7.3*

Source: ONS.

Drivers

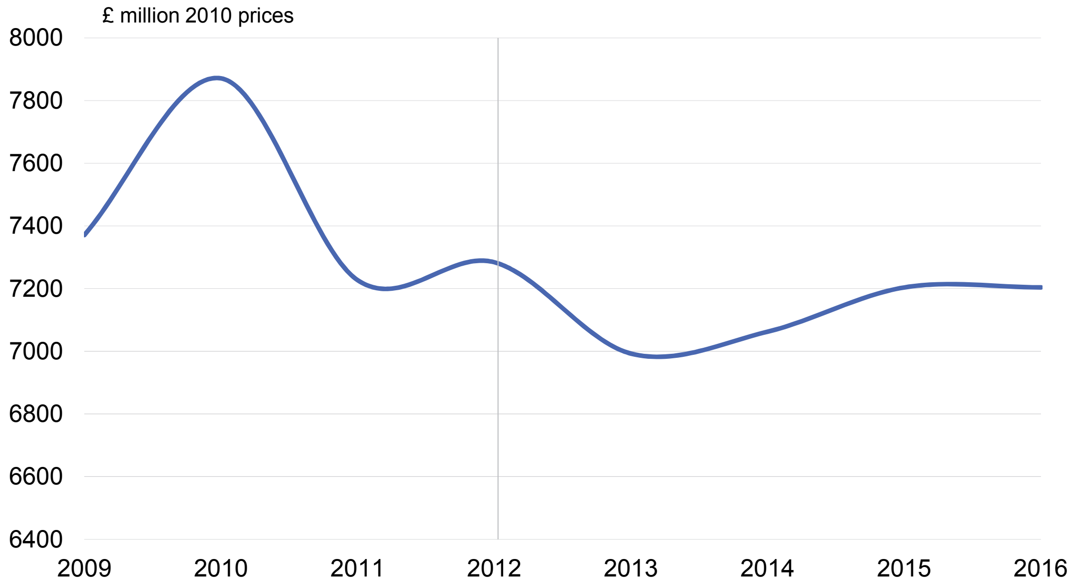
- All Welsh social landlords are required to improve their housing stock to satisfactory levels by 2020 according to the Welsh Housing Quality Standard (WHQS). At the end of March last year, 113,786 social housing dwellings met the WHQS including acceptable fails, which is equivalent to approximately 60 per cent of the social housing stock. A larger proportion of registered social landlord dwellings (75 per cent) were compliant with the WHQS including acceptable fails whilst the corresponding figure for local authority dwellings was 39 per cent. Thus there is still a considerable amount of work to be carried out under this scheme over the next six years to meet the 2020 target.
- In England the Decent Homes for All scheme has long since completed, although there are still a number of residual projects being taken forward by some local authorities that did not reach their targets when the scheme officially ended in 2010.
- Fabrick Housing Group is planning to launch its retrofitting framework in the second half of this year. The £500m scheme which is due to finish in 2018 will see both saving energy and microgeneration measures. Some examples of work that are planned to be carried out are cavity wall insulation and the installation of ground source heat pumps.
- Four contractors are now at the final tender stage to become Hull's energy-efficiency works, Green Deal and ECO partner. The contract, which is likely to be awarded, in March 2014 is likely to be worth between £20m and £60m. The deal will see structural improvements and the delivery of solid wall insulation to approximately 3,600 council homes in Hull plus more homes in the East Riding of Yorkshire. In addition to this, private homes are also predicted to see improvements that are funded through loans or other forms of private finance.

- A ten-year strategic repair and maintenance framework is due to start in the latter half of this year, covering homes mainly in London and the East of England although some stock in neighbouring regions may also benefit. Approximately 36,000 properties are to see improvements under the framework with the estimated value of work to be carried out between £200m and £275m.

Outlook

- Local authorities in particular remain under severe financial constraints thus their ability to increase R&M programmes are heavily constrained. Thus growth, if any, is likely to come from either from registered social landlords (RSLs) or from local authorities and RSLs combining to take advantage of the various retrofitting funding schemes currently on offer. Given these circumstances, only modest growth in public housing R&M output is expected over the forecast period.

PUBLIC HOUSING REPAIR, MAINTENANCE & IMPROVEMENT OUTPUT



Source: ONS, Experian.

3.2 PRIVATE HOUSING REPAIR, MAINTENANCE & IMPROVEMENT

Output

- Private housing RM&I output contracted by 5 per cent to £13.8bn (2010 prices) in 2012 and the outturn for the sector is around 30 per cent smaller when compared to its 2002 peak. In the first three quarters of 2013, output was flat at around £10.5bn when compared to the same period a year earlier, although the quarterly outturns have been on a rising trend since the beginning of the year. On a four-quarter moving total basis, the outturn for the sector increased for the second successive quarter between July and September 2013.

Drivers

- One of the key drivers of the private housing RM&I market is the health of the economy and, more specifically, household finances. When people are more secure in their jobs and disposable incomes are rising, they are more likely to invest in non-essential improvement work to their homes, such as a new bathroom or kitchen, but when there are concerns over unemployment and incomes are being squeezed, this non-essential work is likely to be put off.

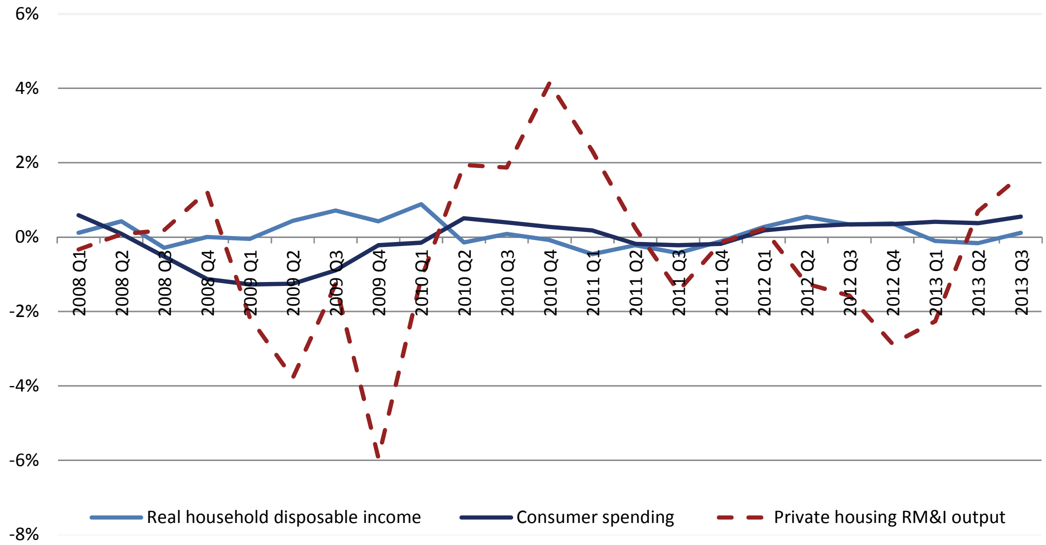
- However, there is also a body of essential repair and maintenance work that must be undertaken in order to keep a dwelling habitable, and this cannot be put off indefinitely.

PRIVATE HOUSING RM&I OUTPUT	£ million (2005 prices)	% change y-on-y
2008	15407	1.2
2009	13471	-12.6
2010	14405	6.9
2011	14538	0.9
2012	13755	-5.4
2012 Q1	3689	0.9
Q2	3435	-5.1
Q3	3342	-6.4
Q4	3288	-11.0
2013 Q1	3378	-8.4
Q2	3528	2.7
Q3	3566	6.7

Source: ONS.

- Consumer spending is estimated to have grown by 1.9 per cent last year and the resilience in household spending is likely to continue in the near term, despite ongoing pressure on real incomes. Consumer spending is predicted to rise by 2.2 per cent in 2014 and by 2016 growth is expected to reach to 2.4 per cent. However this prognosis assumes that growth in real household disposable incomes returns as average earnings growth accelerates above the rate of inflation. If this proves not to be the case, then consumer spending growth could be significantly lower than our central forecast.

PRIVATE HOUSING REPAIR, MAINTENANCE & IMPROVEMENT OUTPUT VS REAL HOUSEHOLD DISPOSABLE INCOME VS CONSUMER SPENDING



Source: ONS, Experian.

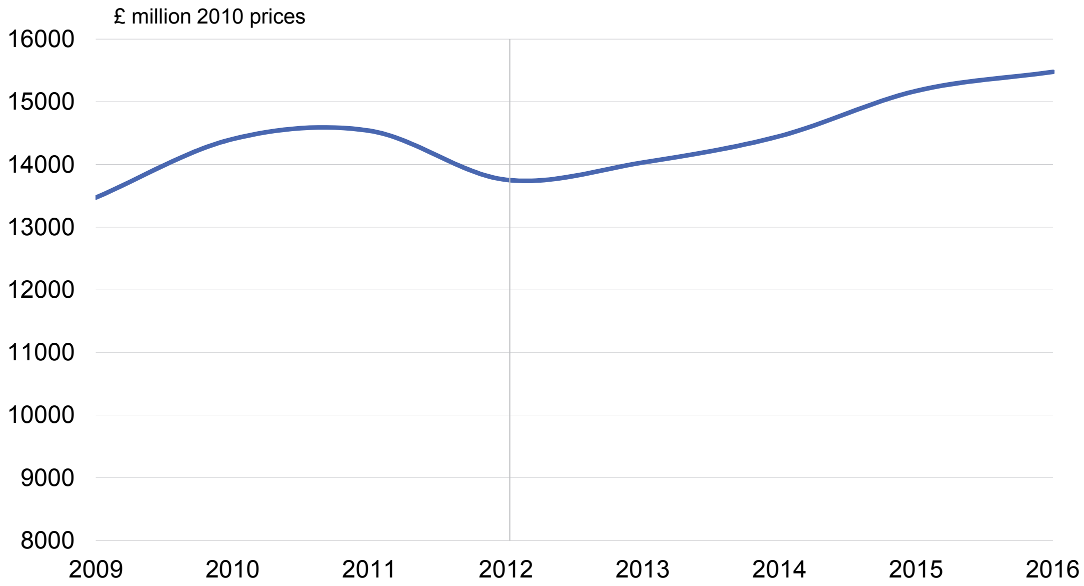
- The above chart plots quarterly changes based on four-quarter moving totals for real household disposable incomes (RHDI), consumer spending and private housing RM&I output. As can be seen, movements in private housing RM&I tend to be more volatile than in the other two indicators, not least because of the relative value attached to each, but also because, while RHDI and consumer spending are believed to be the most important variables impacting on repair & maintenance expenditure, there are other factors at work on the sector.
- Housing equity withdrawal remained negative for a 21st consecutive quarter, according to data from the Bank of England, as homeowners continued to pay down mortgages in the second quarter of 2013. Around £15.4bn of funds was injected during the three months to June 2013 which is a record high. It is thought that the current very low interest rate regime has contributed to homeowners' ability to pay down mortgages in recent years. One of the main methods of funding substantial RM&I work is through housing equity withdrawal thus the negative trend is likely to have impacted on major RM&I works.
- Latest figures show that there were a total of 101,851 Green Deal assessments lodged up to the end of October 2013 and the 16,674 assessments in October was 19 per cent higher when compared to the previous month. Around 1,173 households had Green Deal Plans which is up from 954 recorded in September. Of these, 594 were at the pending stage where the plan has been signed and progress is being made to install the measures and 219 were at the live stage, where all measures have been installed. A total of 481 measures have been installed, with boilers accounting for the largest share at 37 per cent followed by photovoltaic installations at 16 per cent.
- Whilst the pace of Green Deal installations is slowly picking up, the success of the ECO scheme is much more obvious with around 303,800 measures installed between January and September 2013.
- In order to cut households' energy bills there has been talk of cutting green taxes which could potentially impact ECO subsidies. Subject to a consultation in January, as part of the government's Energy Bills announcement it has extended the timeframe for ECO to 2017 as well as decreasing the programme's Carbon Emissions Reduction Obligation by 33 per cent. Energy suppliers are now obliged to install 100,000 solid-wall insulations in the four years to 2017. The government hopes that this change to ECO will also contribute towards lower energy bills for consumers. However it is believed that some energy firms have held back funding for new projects until uncertainty over the scheme is resolved.
- To try and offset the weakening of the ECO scheme, home buyers installing measures through the Green Deal could benefit from a stamp duty rebate of £1,000. This could rise to as much as £4,000 depending on the type of installation and would be made available to all individuals moving home, including those who don't pay stamp duty. However details about how the rebates will work in practise are unclear. More detail is expected once a consultation is published in January 2014 with changes coming into effect from March. Additional funding for local authorities (£60m) and private landlords to carry out energy efficiency work has also been announced, taking the total amount of funding from this package of measures to £540m.
- The latest figures from the Office of the Gas and Electricity Markets showed that there were 26,027 installations under the Feed-in Tariff scheme between July and September last year, a rise of 37 per cent when compared to the previous quarter. This took the total installations since the scheme began on April 1st 2010 to 424,142. In the third quarter of 2013 99 per cent of installations were for photovoltaics (25,839).

- It is worth noting that work may be undertaken by firms not classified in the construction sector, such as DIY retailers using their own workforce, and thus it would not show up in construction statistics.

Outlook

- As the economy starts to see more of a sustained recovery and consumer spending increases throughout our forecast period, there should be a boost to spending on non-essential maintenance work that has been delayed over the past few years, given that our central forecast of improvement to disposable incomes takes place. Take-up of the Green Deal is also now gaining a little momentum and the stamp duty rebate could potentially provide a further boost to the number of installations going forwards. Thus the forecast is for moderate growth in activity in the sector over the forecast period.

PRIVATE HOUSING REPAIR, MAINTENANCE & IMPROVEMENT OUTPUT



Source: ONS, Experian.

4. New Infrastructure

NEW INFRASTRUCTURE CONSTRUCTION OUTPUT					Est.		Forecasts	
	2009	2010	2011	2012	2013	2014	2015	2016
£ million (2010 prices)	10767	13540	14705	13025	13286	14587	15900	16425
Annual % Change	*14.7*	*25.8*	*8.6*	*-11*	*2*	*10*	*9*	*3*

Source: ONS and Experian.

After setting a new record in 2011, infrastructure output weakened in 2012 by 11.4 per cent. In the four quarters to September 2013, new work output totalled £13.4bn, in 2010 prices, compared to £13.3bn in the corresponding period in 2012, an increase of 0.6 percent. Overall, a increase of 2 per cent in 2013 is now anticipated, a less optimistic outturn than forecast in the previous review.

Compared with the previous review, data published in the last six months indicates that output in the second and third quarters of 2013 has been significantly below expectations in the water and sewerage sub-sectors and lower than anticipated in railways. This has been only partially offset by higher output in the electricity and smaller harbours and gas, air & communications sub-sectors.

Concerns have been raised previously with the ONS regarding the way some projects are reported, specifically major projects awarded to joint ventures which sometimes include an overseas contractor. The impact in this area of the recent change in the sourcing of new orders data from the ONS surveys to Barbour ABI will be monitored over the coming months.

Looking forward to 2016, infrastructure new work is forecast to increase by 10 per cent in 2014, followed by a 9 per cent rise in 2015 before growth weakens to 3 per cent in 2016.

4.1 SECTOR OVERVIEW

Orders & Output

NEW INFRASTRUCTURE ORDERS AND OUTPUT	Orders		Output	
	£ million (2005 prices)	*% change y-on-y*	£ million (2010 prices)	*% change y-on-y*
2008	7567	*18.2*	9389	*11.0*
2009	10909	*44.2*	10767	*14.7*
2010	8723	*-20.0*	13540	*25.8*
2011	7000	*-19.8*	14705	*8.6*
2012	10437	*49.1*	13025	*-11.4*
2012 Q1	2635	*70.7*	3250	*-9.0*
Q2	1880	*38.1*	3002	*-20.4*
Q3	2739	*55.2*	3333	*-8.7*
Q4	3183	*36.6*	3441	*-7.3*
2013 Q1	1546	*-41.3*	3332	*2.5*
Q2	2727	*45.1*	3291	*9.6*
Q3	2781	*1.5*	3315	*-0.5*

Source: ONS.

- 2012 was an excellent year for new orders which amounted £10.4bn in 2005 prices, almost 50 per cent above the £7bn recorded in 2011, and the second highest total since the infrastructure new orders data series began in 1980, the record being £10.9bn seen in 2009. However the 2012 figure was boosted by the inclusion of a 10-year water & sewerage framework in the first quarter of the year.
- Whilst orders for new work in the first three quarters of 2013 were nearly 10 per cent down on those recorded in the last three quarters of 2012, the four-quarter total to September 2013 was £10.2bn, 6 per cent above the four-quarter total to September 2012 of £9.6bn.

VALUE OF NEW INFRASTRUCTURE ORDERS OBTAINED BY CONTRACTORS

£ million
% change

	2009	2010	2011	2012	2012 Q1	Q2	Q3	Q4	2013 Q1	Q2	Q3
Water	2075	1357	890	1496	1025	155	156	160	153	69	85
	66	*-53*	*-52*	*41*	*428*	*-85*	*1*	*3*	*-4*	*-55*	*23*
Sewerage	1505	404	373	321	48	134	49	90	57	38	128
	61	*-273*	*-8*	*-16*	*-20*	*179*	*-63*	*84*	*-37*	*-33*	*237*
Electricity	660	1937	1842	2471	591	472	601	807	396	859	1231
	-14	*66*	*-5*	*25*	*-33*	*-20*	*27*	*34*	*-51*	*117*	*43*
Gas, Air & Communications	943	1838	928	2481	373	174	280	1654	175	452	94
	-3	*49*	*-98*	*63*	*27*	*-53*	*61*	*491*	*-89*	*158*	*-79*
Railways	1975	2142	3288	3395	833	582	1230	750	656	668	577
	5	*8*	*35*	*3*	*-44*	*-30*	*111*	*-39*	*-13*	*2*	*-14*
Harbours	471	281	211	355	119	81	101	54	189	188	109
	-83	*-68*	*-33*	*41*	*272*	*-32*	*25*	*-47*	*250*	*-1*	*-42*
Roads	3401	1815	967	1992	359	343	264	1026	396	684	750
	37	*-87*	*-88*	*51*	*44*	*-4*	*-23*	*289*	*-61*	*73*	*10*
Total	11032	9774	8499	12510	3347	1941	2681	4541	2022	2958	2974

Source: ONS.

- Infrastructure output was £13.0bn in 2012 in chain-linked 2010 prices, a drop of 11.4 per cent on 2011's record £14.7bn. Output in 2013 has been relatively stable at close to £3.3bn each quarter. On a four-quarter moving total basis to September 2013, new work output totalled £13.4bn compared to £13.3bn in the corresponding period in 2012, an increase of 0.6 percent.

VALUE OF NEW INFRASTRUCTURE OUTPUT BY CONTRACTORS

£ million
% change

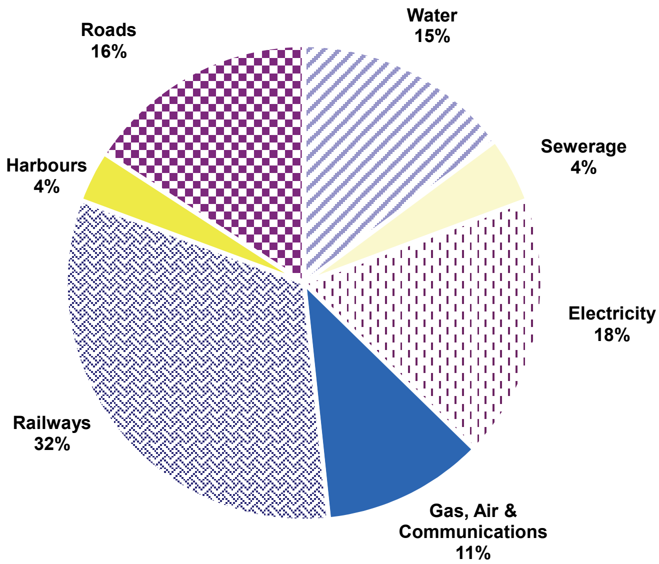
	2009	2010	2011	2012	2012 Q1	Q2	Q3	Q4	2013 Q1	Q2	Q3
Water	1562	2252	2450	2094	513	515	542	524	442	423	363
	21	*44*	*9*	*-15*	*-12*	*0*	*5*	*-3*	*-16*	*-4*	*-14*
Sewerage	876	965	916	636	166	156	159	155	133	127	122
	-12	*10*	*-5*	*-31*	*-26*	*-6*	*2*	*-3*	*-14*	*-5*	*-4*
Electricity	1178	1419	2140	2544	533	572	680	759	720	806	906
	-8	*20*	*51*	*19*	*-10*	*7*	*19*	*12*	*-5*	*12*	*12*
Gas, Air & Communications	1185	1508	1658	1556	365	367	403	421	387	421	410
	-3	*27*	*10*	*-6*	*-14*	*1*	*10*	*4*	*-8*	*9*	*-3*
Railways	2128	2837	3835	4567	1019	1052	1214	1282	1180	1208	1154
	35	*33*	*35*	*19*	*-10*	*3*	*15*	*6*	*-8*	*2*	*-4*
Harbours	511	516	556	496	115	117	132	132	130	154	163
	-27	*1*	*8*	*-11*	*-17*	*2*	*13*	*0*	*-2*	*18*	*6*
Roads	3299	4044	3764	2235	593	535	541	566	537	609	671
	24	*23*	*-7*	*-41*	*-28*	*-10*	*1*	*5*	*-5*	*13*	*10*
Total	10738	13540	15320	14129	3304	3314	3671	3840	3529	3748	3789

Source: ONS.

- Railways remained the largest sub-sector in 2012 representing 31 per cent of total infrastructure output.
- Growth in recent years has led to electricity being the second largest sub-sector in 2012 with 18 per cent of infrastructure output (up from 11 per cent in 2009).
- Roads represented 16 per cent (down from 31 per cent as recently as 2009) and water 15 per cent.

- Harbours remains the smallest sub-sector with 4 per cent, slightly smaller than sewerage with 5 per cent.
- Completing the sector is gas, air and communications which represented 11 per cent of Infrastructure output in 2012.

SHARE OF NEW INFRASTRUCTURE OUTPUT BY SUB SECTOR, 2012



Source: ONS.

Drivers

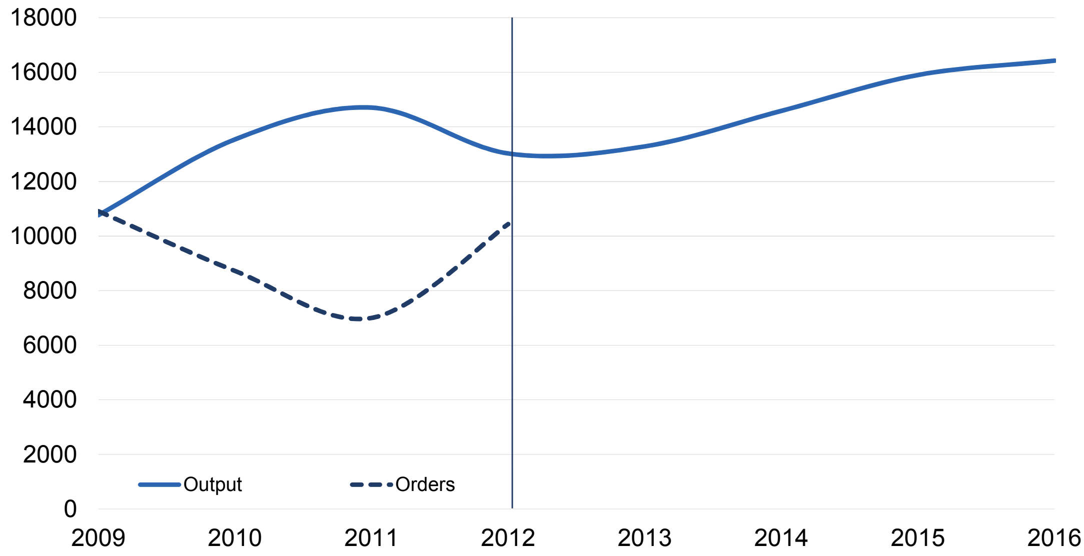
- The Highway Agency investment programme in major schemes on the UK road network is the main driver of output in the roads sub-sector. In November 2013 the Department for Transport announced expenditure on road schemes in 2014 would be more than twice the amount spent in 2013 and would be followed in 2015 by a larger programme of improvement and investment on major roads, with spending continuing to rise through to 2020.
- In the rail sub-sector the main contributors to output are Network Rail and the separately funded Crossrail and Thameslink developments. In the latest Network Rail Strategic Business Plan for April 2014 to March 2019, the CP5 period, expenditure on renewals work shows moderate growth and enhancements a stronger increase. With the exception of a slight drop in 2014/15, overall investment is forecast to rise over the period to 2015/16 before declining in the final years of the CP5 period. Output from Crossrail is forecast to peak in 2014/15.
- In the water and sewerage sub-sectors the five-yearly Asset Management Programme (AMP) agreed between the regulator, Ofwat, and the water companies is a key driver of investment patterns. The current AMP5 period comes to a close in March 2015 with the AMP6 programme starting in April 2015. Historically construction output in water in the penultimate full calendar year of a programme has fallen before growing in the early years of the next programme. A not dissimilar patter is also evident in sewerage output. A joint industry group was established earlier this year to tackle the problems that arise through water investment cyclicality and successfully argued for the maintenance and improvement works to be brought forward from the 2015-20 business plans, which are due to be submitted to Ofwat in December. Time will tell whether this initiative has delivered its objective.

- In the electricity sub-sector the main influences on investment are the need to ensure security of supply of both generation and distribution as older coal-fired power stations are progressively de-commissioned. Additionally progress on the new programme of nuclear power stations is a key determinant of the pace of growth in the sector. The ongoing focus on renewable generation sources continues to increase investment in both onshore and offshore wind farms.
- In the gas, air and communication sub-sector, air has provided around 50 per cent of output in each of the years 2009 to 2012. Movements in investments in the major London airports, primarily Heathrow and Gatwick, provide the basis for changes in output in this element of the sub-sector. The roll-out of rural broadband is currently supporting communications output, with gas construction output driven by the investment in storage and distribution.
- In the harbours sub-sector output derives from the commercial development of ports and harbours and investments in flood defences and other waterway schemes.

Outlook

- Overall, infrastructure output is estimated to have increased by 2 per cent in 2013. Looking forward growth is forecast for the rest of the review period. Increases in output of 10 per cent in 2014, 9 per cent in 2015 and 3 per cent in 2016 are forecast.

NEW INFRASTRUCTURE ORDERS (2005 PRICES, £M) AND OUTPUT (2010 PRICES, £M)



Source: ONS, Experian.

- Following significant declines in output in 2012 and 2013, output in the water and sewerage sub-sectors is forecast to stabilise in 2014 before growing at an increasing pace through 2015 and 2016.
- Electricity is forecast to see continued growth through the period 2013 to 2016, based in part on an assumed start to EDF's Hinkley Point C nuclear power plant in 2014. Similarly Roads output is forecast to grow each year.
- Whilst output in the rail sector is estimated to have stalled in 2013 a return to growth is forecast in 2014, before stabilising in 2015 and declining moderately in 2016.

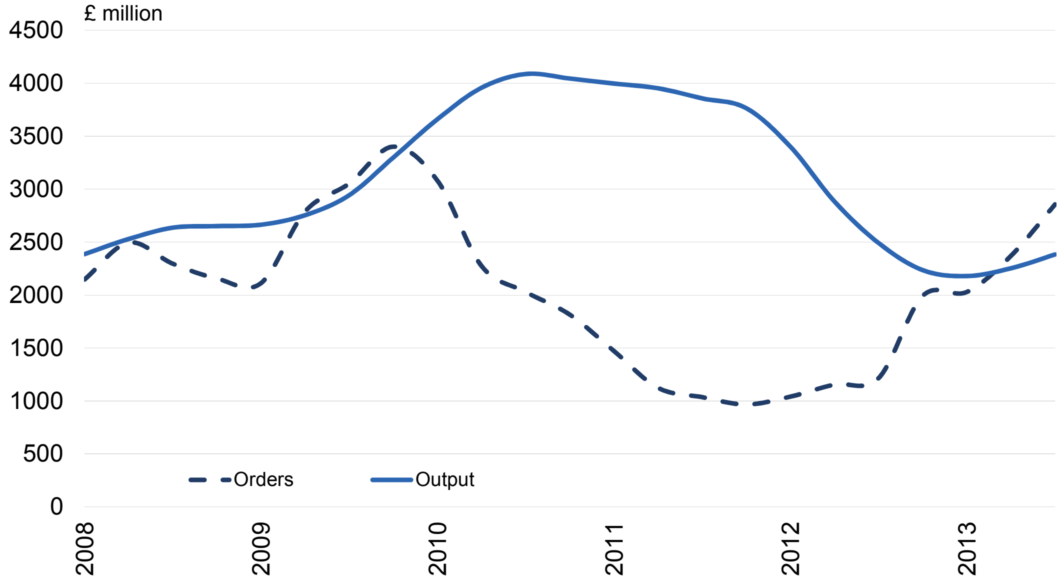
- Moderate growth through the forecast period is anticipated in both the harbours and gas, air & communications sub-sectors.

4.2 ROADS

Orders & Output

- Following a poor 2011, when new orders hit a 12-year low of £967m, 2012 showed a dramatic rise to £1.99bn, an increase of 106 per cent, of which the fourth quarter of 2012 contributed £1.03bn, above the total for the whole of 2011. New orders in the first three quarters of 2013 totalled £1.83bn. The four-quarter moving total to end September of £2.86bn established a new record high for the sub-sector.
- As would be expected, roads output has followed the path set previously by orders and fell to £2.21bn in 2012, down by 41 per cent from £3.76bn in 2011. Output in the first three quarters of 2013 of £1.82 was up 9 per cent on the same period of 2012. Output in the four quarters to end September 2013 of £2.38bn was 4 per cent lower than the output of £2.49bn in the four quarters to end September 2012.

ROADS ORDERS AND OUTPUT
4 Quarter Moving Totals



Source: ONS.

Drivers

- In November 2013 the Department for Transport announced that £1.9m would be spent on road schemes in 2014, more than twice the amount spent in 2013. This will be followed in 2015 by a larger programme of improvement and investment on major roads, with spending rising to £3 billion a year by 2020.
- The Highways Agency's capital budget excluding maintenance is due to increase from £1.309bn in 2013/14 to £1.543bn in 2014/15, up nearly 18 per cent.

- The table below outlines the Highways Agency projects that are currently under construction and their planned construction periods.

MAJOR ROADS PROJECTS UNDER CONSTRUCTION DURING THE FORECAST PERIOD
Schemes Currently under construction

Road / Section	Scheme Type	Value £m	Start Date	Spend '13 2014
M62 Junctions 25 to 30	Managed Motorway	136	Q4 2011	-
M4 J19 RO 20 and M5 J15 to 17	Managed Motorway	77	Q1 2012	-
M6 Junctions 5 to 8	Managed Motorway	126	Q2 2012	20
A23 Handcross to Warniglid	Widening	77	2011/12	19
A11 Fiveways to Thetford	Improvement	105	2012/13	45
M25 Junctions 23 to 27	Managed Motorway	195	Q1 2013	95
M25 Junctions 5 to 7	Managed Motorway	129	Q2 2012	62
M1 J28 to J31	Managed Motorway	189	Q3 2013	130
A453 Nottingham (M1 to A52)	Widening	150	Q1 2013	67
M6 Junctions 10a to 13	Managed Motorway	87	2013/14	52
A14 J7 to J9, Kettering Bypass	Widening	42	Q4 2013	14

Source: Highways Agency, Experian

- Looking further ahead construction on the following projects is scheduled to commence by the end of the financial year 2014/15.

MAJOR ROADS PROJECTS UNDER CONSTRUCTION DURING THE FORECAST PERIOD
Schemes Due to Start by end Financial Year 2014/15

Road / Section	Scheme Type	Value £m	Start Date	Spend "13 2014
M1 J32 to J35A	Managed Motorway	112	2013/14	75
M3 J2 to J4A	Managed Motorway	156	Q1 2014	52
A1 Leeming to Barton	Widening	385	Q1 2014	143
A45 / A46 Tollbar End Improvement	Widening / Junction Imp	106	Q1 2014	31
M1 J19 / Related Sections of M6 and A14	Congestion Relief	191	Q1 2014	74
M1 J39 to J42	Managed Motorway	120	2014/15	76
M60 J8 to M62 J20	Managed Motorway	228	Q2 2014	66
A5 - M1 Link Dunstable By-Pass	New Dual Carriageway	189	2014/15	110
A1 Lobley Hill to Dunston	Junction Improvement	66	Q3 2014	19
A30 Temple to Higher Carblake	Dualling	60	2014/15	17
A556 Knutsford to Bowdon Improvement	Congestion Relief	174	2014/15	51
M25 J30 / A13 Corridor	Widening / Junction Imp	150	2014/15	29
A160 / A180 Port of Immingham	Dualling / Junction Imp.	88 - 132	Q3 2015	-

Source: Highways Agency, Experian

- Although temporary works for the A1 Leeming to Barton scheme were planned for late 2013, no construction works associated with the project will be undertaken until design is complete. A public enquiry is planned for the Scotch Corner to Barton part of the route.
- Following public exhibitions in June 2013, the A1 Lobley Hill to Dunston scheme has been further developed and has a current planned start date of summer 2014.
- Assuming a successful completion of statutory processes and confirmation of funding, work could start by summer 2015 on the upgrade of the A160/A180 Port of Immingham improvement project
- Construction of the A30 Temple to Higher Carblake is expected to begin in 2014/15, subject to the completion of planning processes and funding agreements with Cornwall Council, with the scheme opening for traffic in 2016/17.
- The new two lane dual carriageway A5 to M1 Link Dunstable By-pass is subject to contributions from local and private sources and still requires approval to proceed to the construction phase.
- The start date for the A45/A46 Toll Bar scheme is subject to the outcome of statutory processes. Development of the A556 Knutsford to Bowden remains at the early 'examination' stage.

- The scheme to improve junction 19 of the M1 motorway and related sections of the M6 motorway and A14 trunk road is expected to commence by the end of the 2013/14 financial year subject to the outcome of statutory processes.
- The M1 J39 to J42, J32 to J35a and J28 to J31 will become "smart motorways" to relieve congestion by using technology to vary speed limits and allow the hard shoulder to be fully converted to a running lane to create additional capacity.
- Detailed design of the M25 J30 and A13 corridor scheme is currently being undertaken. Construction is expected to commence in financial year 2014/15, subject to the statutory processes being successfully completed. The M3 J2 to J4a project remains in the development stage.
- The M60 project was previously 3 individual schemes, M60 junctions 8 to12 (managed motorways), M60 junctions 15 to 12 (lane gain scheme) and M62 junctions 18 to 20 (managed motorways). These schemes have been re-assessed resulting in a combined scheme approach covering the whole corridor of 17 miles (27 km). The start date of 2014/15 is subject to completion of statutory processes.
- The following projects are within the Highways Agency forward business plan and either do not currently have targeted start dates or have anticipated start dates in 2015/16 or later.

MAJOR ROADS PROJECTS UNDER CONSTRUCTION DURING THE FORECAST PERIOD
Schemes Due to Start in 2015/16 or later

Road / Section	Scheme Type	Value £m	Start Date
A14 Cambridge to Huntingdon	Widening / Junction Imp.	Est 1500	2016
A19 Testos Junction	Junction Improvement	TBC	TBC
A21 Tonbridge to Pembury Dualling	Dualling	TBA	TBC
A27 Chichester Improvement	Junction and Other Imp	TBA	TBC
A63 Castle St, Hull	Junction Improvement	129 - 192	Post 2015
M4 J3 to J12	Managed Motorway	525 - 720	Post 2015
M54 to M6 / M6 Toll Link Road	New Link Road	TBA	Post 2015

Source: Highways Agency, Experian

- Public consultations have recently been held on the A14 scheme proposals. Based on these the Highways Agency plan to announce their official "Preferred Route" in early 2014, protecting the route against other forms of development whilst further design work is undertaken.
- The A19 Testos Junction and A27 Chichester improvement schemes remain at the planning stage. The public inquiry inspector's recommendations and the Secretary of State's decision on whether or not the A21 Tonbridge to Pembury scheme will go ahead are expected shortly.
- The A63 scheme is currently being developed to be in a position to be considered for delivery in the early years of the next Spending Review period. Similarly development of the M4 J3 to J12 scheme will place it in a good position to be considered for delivery in the early years of the next spending review period, post 2015. Construction of these schemes is not guaranteed and decisions on which will be taken forward will be made at the time of the next spending review. The M54 to M6/M6 Toll Road scheme is currently only at the concept stage.
- Public consultation on the Highways Agency, currently an executive agency of the Department for Transport, becoming a government-owned company closed in December 2013. The Government expects to publish their response in early 2014. Proposals include using new legislation to provide funding certainty for committed upgrades through a new Roads Investment Strategy, similar to the system which already guarantees rail investments.
- Turning to other sources of funding, Transport for London has supported the Mayor’s Roads Task Force Report to double roads investment over the next ten years to circa £4bn.

- Lancashire County Council has recently overcome a number of objections to the £123m Heysham to M6 link road so work may start shortly.
- Subject to planning approval work is to start in early 2014 on the new £290m 10km-long dual carriageway relief road linking the A6 to Manchester Airport and take two years to complete.
- Work on Halton Borough Council's £600m, six-lane toll bridge over the River Mersey should start in earnest early in 2014, with the peak investment period coming in 2015/16.
- The proposed £118m new Wear crossing has been scrapped by Sunderland City Council as none of the bidders was able to meet the scheme's budget.
- In Scotland work is on schedule for the Forth Replacement Crossing, now named the Queensferry Crossing, with a £1.4bn to 1.45bn budget, to be completed by 2016. The first part of the £3bn long-term plan to complete the dualling of the A9 between Perth and Inverness, the Kincraig to Dalraddy section, could start during 2015/16. Work on the M8/M73/M74 motorway improvements, for which the preferred bidder has been announced, is due to start by end 2013/14. Work has started on a number of improvement projects on the A82. Construction of the £745m Aberdeen Western Peripheral Route and A90 Balmedie-Tipperty schemes is due to commence during 2014 for completion in 2018.
- In Wales, work on site should start towards the end of this review period on the 5.6km Newtown Bypass in Powys which is expected to cost £40-£55m. A contractor has been appointed to develop the design. The Welsh Government has prepared a draft plan for consultation on the potential 14-mile, dual carriageway on the M4 between junctions 23 and 29 near Newport. A decision on whether to adopt the plan is likely in early 2014.

Outlook

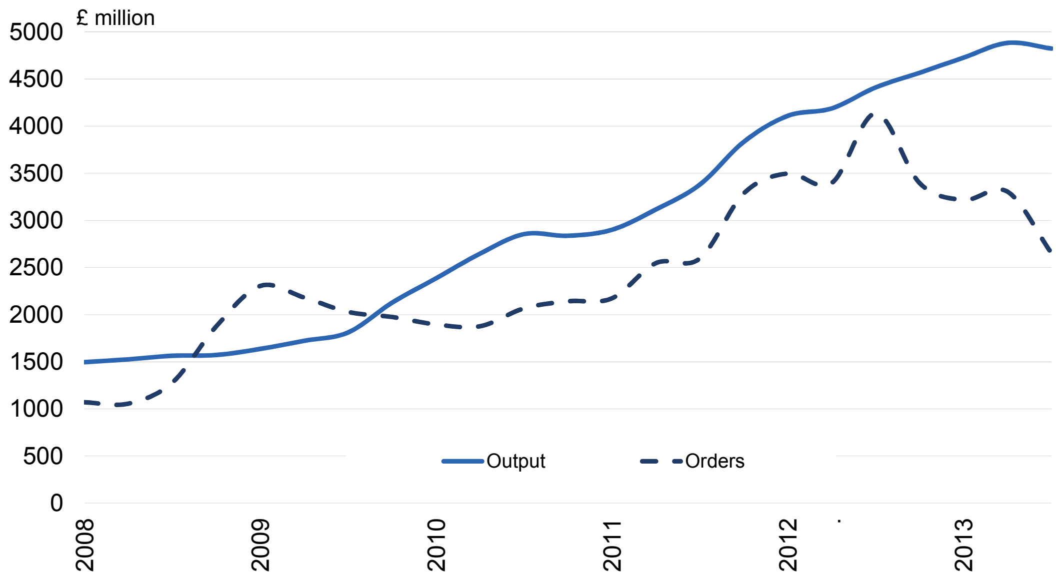
- After the trough in 2012, roads new work is estimated to have grown by about 10 per cent in real terms in 2013. Increasing double-digit growth is forecast for the period 2014 through to 2015 before the growth in output eases to about 5 per cent in 2016.

4.3 RAIL

Orders & Output

- With highpoints in order placement in the fourth quarter of 2011 and third quarter of 2012 2012 rail orders peaked in the four quarters to September 2012 at £4.14bn, dropping to £3.4bn for calendar year 2012, a new annual record, up 3 per cent on 2011. Orders in the first three quarters of 2013 of £1.90bn continued the slower pace set in the fourth quarter of 2012. Orders in the four quarters to end September 2013 of £2.65bn were 22 per cent lower than the £3.40bn in the four quarters to end September 2012.
- Rail output amounted to £4.51bn in 2012, up 17.6 per cent on 2011 and a new record high. Output in the four quarters to end September 2013 of £4.82bn was 9 per cent higher than the £4.41bn in the four quarters to end September 2012.

RAIL ORDERS AND OUTPUT
4 Quarter Moving Totals



Source: ONS.

Drivers

- In January 2013, Network Rail published its Strategic Business Plan for the period April 2014 to March 2019, the so-called CP5 period. In the period through to 2016/17 the shows renewals work with moderate growth and enhancements with a stronger increase. With the exception of a slight drop in 2014/15, overall investment is forecast to rise over the period to 2015/16 before a moderate decline in 2016/17 with a higher pace of decrease in the final years of the CP5 period.

NETWORK RAIL'S INVESTMENT PLANS FOR ENGLAND, SCOTLAND AND WALES IN CP5 – to 2016/17

£m, 2012/13 prices	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Maintenance	1,161	998	1,050	982	967	955	935
Core renew als	2,119	2,190	2,388	2,563	2,421	2,517	2,496
Other renew als	301	334	164	306	464	463	439
Enhancements	1,871	2,253	2,429	2,930	2,736	3,102	3,086
Total of above	5,452	5,775	6,031	6,781	6,588	7,037	6,956
Overall total (1)	6,704	6,922	7,317	8,111	7,685	8,311	8,180

Note 1: Overall total also includes operational, support, property and other investment activities

Source: Strategic Business Plan for England, Scotland and Wales for CP5, Network Rail, January 2013

- In overall terms for England, Scotland and Wales, Network Rail is proposing a CP5 programme valued at £37.5bn compared to its current CP4 programme estimated at £34.7bn.
- In October 2013, the Office of Rail Regulation (ORR) published the final determinations on Network Rail's plans and proposed a reduction in the renewals budget to £12.8bn, from a request of £14.4bn, while the enhancement programme was increased to £12.6bn versus a request of £12.4bn. Network Rail will publish a detailed delivery plan for the funding period by end March 2014.
- Overall, the ORR is proposing that Network Rail's GB renewals expenditure totals £2.51bn in 2014/15, rising to £2.58bn in 2015/16 before it declines slowly to £2.19bn by 2018/19.

- In terms of major projects in England and Wales, Network Rail is allocating £1.65bn to complete work on its Thameslink programme and £1.44bn for Crossrail. Elsewhere, £600m will be used to redevelop Birmingham New Street Station, £874m for Great Western electrification, £481m to deliver the Northern Hub project and Trans-Pennine electrification and £305m electrify the Welsh Valley Lines.
- In Scotland, £489m is committed to the Edinburgh to Glasgow Improvement project, £280m to Phase 1 of the Aberdeen to Inverness Improvements, a further £124m will go to reopen 31 miles of line that connect border towns to Edinburgh and £121m on Phase 2 of the Highlands Main Line Rail project.
- Within the Crossrail development work started on the Custom House Station in the third quarter of 2013, the final station to commence construction. Following the delivery of a further machine tunnelling work commenced on the Pudding Mill Lane to Stepney Green drive in the final quarter of 2013. The tunnelling drive from Limmo to Victoria Dock is due to commence in the first quarter of 2014. Tunnelling work has been completed on the Royal Oak to Farringdon section and the half- way point of the 26 miles total of tunnelling work was reached in October 2013. The remaining half is scheduled for completion in 2014.
- 60 per cent of the works at Tottenham Court Road underground station and 35 per cent of Crossrail's new Dean Street ticket hall were complete by autumn 2013.
- Following confirmation of local and private contributions, a short list has been prepared of contractors to be invited to tender for the Woolwich Station fit out. Appointment of the successful bidder is planned for autumn 2014 with work on-site of the estimated £75m contract due to commence in spring 2015.
- Major fit-out of stations and tunnels will take place through the period 2015 to 2017 as will the upgrade of the existing rail network for Crossrail services by Network Rail. For Network Rail, work commenced in October 2013 on the Action Main Line rail underpass and is expected to continue until 2016. Initial works at Abbey Wood station started in November 2013. The £30m contract for Paddington New Yard was placed in October 2013.
- In its Annual Investor Update, published in April 2013, Transport for London expected capital expenditure on Crossrail to rise to £1.65bn in 2013/14 from £1.42bn in 2012/13, before falling slightly to £1.63bn in 2014/15. Other capital expenditure by TfL was set to increase from £1.43bn in 2012/13 to £1.76bn in 2013/14 and £2.15bn in 2014/15.
- Work is expected to start in 2014 on the £45m revamp of Vauxhall Underground station for completion in 2015. In 2015 work is planned to start on the extension of the Northern Line to Battersea Power Station. Tunnel and bridge work is estimated to cost £289m with a further £285m on workshops, depots, stations and other buildings. The extension is due to open in 2020.
- Transport for London has chosen its preferred contractor for the £500m to upgrade Bank station. The contract is in two stages, Stage 1 for work prior to the granting of the Transport and Works Act Order due to be submitted in July 2014 and Stage 2 for all subsequent work.
- The DfT has approved proposals for the £17m to improve access to Leeds station permitting construction to start, with completion planned for March 2015.
- In Scotland, work is well underway on the Borders Railway project which will see a new 30-mile rail link from Edinburgh through Midlothian and Tweedbank. The scheme includes several new stations and is due to be completed in 2015.

Outlook

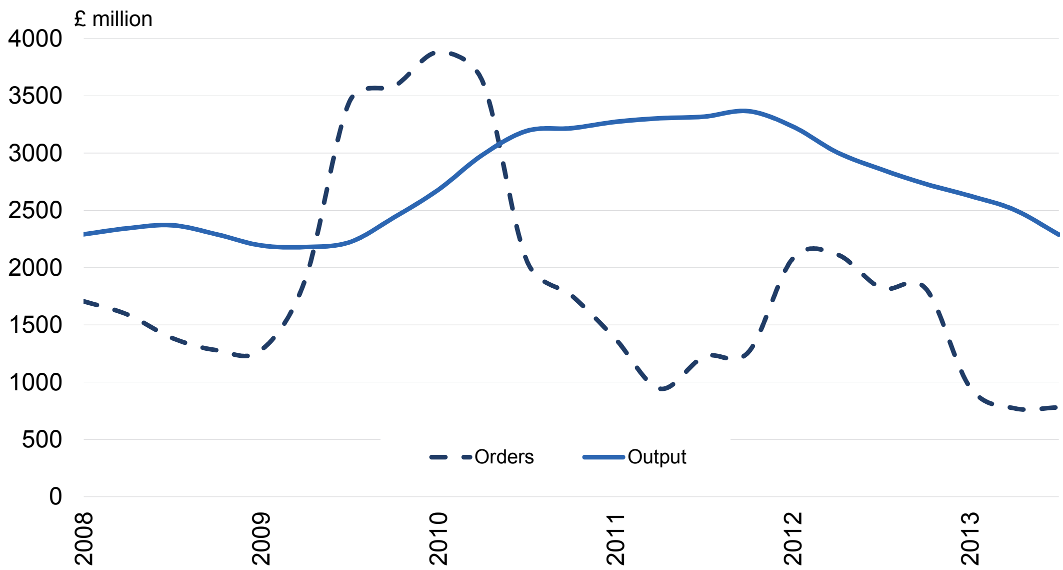
- Rail output is estimated to have changed little in real terms in 2013 from 2012. However, the forecast is for double digit growth in 2014 to reach a new record high level of output. Following stable output in 2015 a moderate decline is forecast for 2016.

4.4 WATER AND SEWERAGE

Orders & Output

- New water and sewerage orders in 2012 totalled £1.82bn, up 44 per cent on the recent unusually low 2011 total of £1.26bn, largely on the back of a term contract placed in Q1 2012. Since then order levels have been running at much lower levels with the four-quarter total of £780m to the third quarter of 2013 being 57 per cent down on the four quarters to the third quarter of 2012 total. Orders for the first three quarters of 2013 totalled only £530m and were 66 per cent lower than the same period of 2012.
- This reduction was not unexpected as water and sewerage companies are now in year four of their current five-year review period and have already let much of their work under framework contracts, which will have been recorded in earlier data.
- In 2012, new work output fell to £2.73bn, from £3.37bn in 2011, a decline of 20 per cent. This decline in output continued in 2013 with output in the first three quarters of £1.61bn, 22 per cent lower than the first three quarters of 2012.

WATER AND SEWERAGE ORDERS AND OUTPUT
4 Quarter Moving Totals



Source: ONS.

Drivers

- Water and sewerage companies in England and Wales are coming to the end of their current five-year review period and are now in the process of developing their Asset Management Plans (AMP) for the next five-year review period, April 2015 to March 2020, the so-called AMP6 period. These plans were submitted to the Water Services Authority, Ofwat, in December 2013. In early 2014, Ofwat will publish its draft determinations on these plans.

- These plans are likely to include increased investment in response to climate change and its effects, covering both drought conditions (for example reducing leakage rates and conserving water), and dealing with flooding caused by heavy, possibly prolonged, rainfall. This latter area will entail work on sewers, such as Thames Water's Tideway Tunnel project, improving combined sewer overflows and increasing capacity at sewage treatment works.
- Ahead of the new AMP6 period water companies have already started to select partners and agree framework contracts. This follows work by a joint industry group that sought to tackle the problems arising from water investment cyclicality that sees peaks and troughs of investment between the five-year regulatory periods
- In terms of the immediate future, and based on its analysis of regulatory capital values, Ofwat was forecasting a marked decline in capital investment in 2014/15.

REGULATORY CAPITAL VALUES FOR WATER AND SEWERAGE COMPANIES (1)

In £m, current prices (2)	2010/11	2011/12	2012/13	2013/14	2014/15
Capital expenditure (3)	3,808	4,781	4,693	4,185	3,411
Infrastructure renewals	957	1,081	1,116	1,105	1,035
Total expenditure, including renewals	4,765	5,862	5,809	5,290	4,447

Note 1: England and Wales only
Note 2: Data for 2013/14 and 2014/15 are forecasts in 2012/13 prices
Note 3: Excludes infrastructure renewals expenditure

Source: Ofwat Regulatory capital value updates, April 2013

- Thames Water remains the largest investor in water and sewerage work. It is constructing the £635m Lee Tunnel, the tunnelling for which was due for completion in late 2013 and investing £346m to reduce the threat of sewer flooding at 2,500 properties by 2015 including building underground tanks to collect and store heavy rainfall and increase sewer capacity.
- Additionally the upgrade of five sewage works, worth together £675m, which commenced in 2010 will see the third completed in 2014. Thames Water has confirmed the successful contractor for the £177 million rebuild of Deephams, one of London's largest sewage works. Work started late 2013 with a full planning application submission expected by summer 2014.
- The largest Thames Water project remains the £4.2bn Thames Tideway Tunnel. The company expects the government to make a final decision on this scheme by autumn 2014. Eight JVs have been short-listed for the tunnelling work which is to be awarded as three separate main contracts - east, central and west. Total forecast costs for these contracts range from £1.6bn up to £2.2bn. Contracts will be tendered on a staggered basis through to April 2014 with the preferred bidders announced in early 2015 and construction is expected to start in 2016.
- In Scotland, the Scottish Water business plan for 2015-2021 indicates capital maintenance demand will increase from £272m per year in 2012/13 to £285m in 2020/21 at 2012/13 prices. Conversely service enhancement falls progressively from £216m in the 2015 to £207m in 2020/21 Total capital investment is planned to be virtually static at £495m per annum through the 2015/16 to 2020/21 period. This compares with £487m actual spend in 2012/13 and £491m in 2011/12.

- The plan includes £183m at 2012/13 prices to complete the improvements to the water quality of the River Clyde originally in the 2010-15 business plan which will now continue through to 2017/18 and £66m to upgrade the discharges at Dalmarnock and Daldowie waste water treatment works in Glasgow. Additionally £100m will be spent on a 3.1 mile-long storm water storage tunnel in Glasgow. Work on the tunnel is planned to start in mid-2014 and last for three and a half years.
- Tenders closed in September 2013, for Capital Delivery Alliance Partners to deliver Welsh Water's AMP6 programme valued at £600m to £700m, with a possible extension into AMP7 taking the overall contract value to £1.5bn.

Outlook

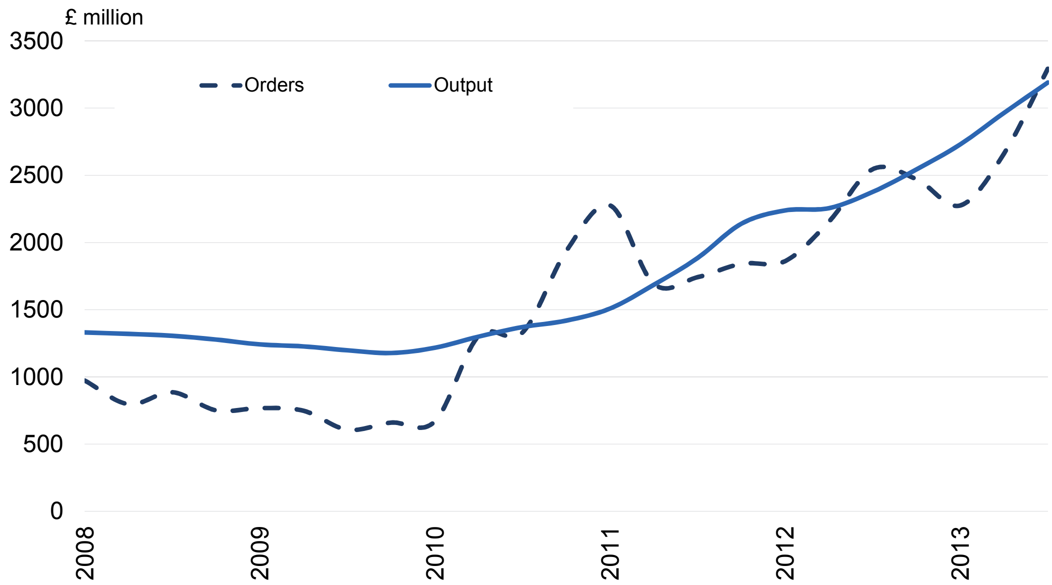
- Output is estimated to have fallen by as much as a quarter in 2013 in real terms. Following output being broadly stable in 2014 the pace of increase quickens in 2015 and 2016 to reach double-digit growth in the final year of the forecast period.

4.5 ELECTRICITY

Orders & Output

- In 2012, electricity new orders ended the year at £2.47bn, up 34 per cent on the 2011 figure of £1.84bn as the pace of order placement quickened through the year. In the four quarters to end September 2013 orders totalled £3.29bn, 33 per cent higher than in the four quarters a year earlier. In the first three quarters of 2013 orders totalled £2.49bn up 49 per cent on the same period of 2012.
- As with orders, electricity output also set a new record in 2012 at £2.54bn, up 17 per cent on 2011's £2.14bn. Further growth has been recorded in the first three quarters of 2013 with output of £2.43bn, 36 per cent higher than the same period of 2012.

ELECTRICITY ORDERS AND OUTPUT
4 Quarter Moving Totals



Source: ONS.

Drivers

- The Electricity Capacity Assessment Report from Ofgem of June 2013 noted that compared with the previous year the outlook for the supply side has deteriorated and industry has announced the withdrawal of more than 2GW of installed generation capacity in the near future. Further withdrawals are still likely.
- Following the introduction in 2001 of the European Union's (EU) Large Combustion Plants Directive (LCPD), of 9GW of opted out coal-fired power stations, 8GW have closed with only 1GW currently operating, half of which are likely close by 2014/15 as the allowable hours are reached earlier than expected as a result of higher profitability in the last year. Conversely oil-fired stations are also closing earlier because of low profitability.
- Uncertainty around policy and future prices continues to limit investment and Ofgem expect no new conventional plant before winter 2016/17. Around 0.5GW is expected to start operating in winter 2016/17 and an extra 0.5GW by winter 2017/18.
- Around 2.5GW of opted-in coal plants are expected to convert to biomass by 2016/17. This is due to the profitability of coal generation decreasing with the implementation of the Carbon Floor Price (CPF), while biomass conversion is supported by government policy through the Renewable Obligation.
- Ofgem assumptions on CCGT capacity include just under 1GW of new build, of which half will come online in winter 2016/17 and the rest in 2017/18. While plant conversions are expected to lead to an additional 2.4GW of biomass plant between 2014/15 and 2016/17, this represents a net reduction in total capacity as the capacity of the converted plant is lower than that of the coal plant it replaces. In addition, Ofgem assume that 0.7GW of biomass plant (converted LCPD opt-out plant) is relicenced and becomes operational from 2014/15. A further 0.1GW of dedicated biomass plant is assumed to come online in 2017/18.
- Ofgem has approved the proposed reinforcement of the transmission system around the Kintyre peninsula in the South West of Scotland (the Kintyre-Hunterston project). The project is designed to deliver 270MW of additional transmission capacity at a cost of £197.4m (in 2013 prices), and is planned to be completed in 2016.
- One of technologies being developed to produce 'cleaner' power stations is Carbon Capture and Storage and the government has selected two consortia for its £1bn programme. The Shell and SSE proposal is to capture around 90 per cent of the carbon dioxide from part of the existing gas-fired power station at Peterhead before transporting and storing it in a depleted gas field beneath the North Sea. The second is the White Rose Project which involves capturing 90 per cent of the carbon dioxide from a new super-efficient coal-fired power station at Drax, North Yorkshire and storing it in a saline aquifer beneath the southern North Sea. A final investment decision will be taken by the Government in early 2015 on the construction of up to two projects.
- In the biomass sector, Drax commenced conversion of its first generating unit in mid 2013 with conversion of a second to start in 2014. Conversion of a third unit will follow later. In August 2013 the Secretary of State granted permission for the £250m 99.9 MW Port Blyth New Biomass Plant.
- Capital expenditure by the Nuclear Decommissioning Authority (NDA) of £266m is planned at Sellafield in 2013/14. A preferred bidder is to be announced in March 2014 for the NDA Magnox and Research Sites Restoration project. This 14-year £6bn to £7bn contract will cover 12 sites. After a transition period, the winning bidder will take over in September 2014.

- Nuclear Management Partners' £1.8bn-a-year Sellafield clean-up contract has been extended for another five years by the NDA. This is the first renewal of the contract which commenced in 2008 and has the potential for further extension periods up to a total life of 17 years.
- In terms of nuclear power generation, EDF Energy's plans to build two reactors at its Hinkley Point C site in Somerset, at a cost of £14bn, have received planning approval. The company has agreed with the Treasury the price for the electricity the site will produce of £89.50 per megawatt hour if the further project at Sizewell C goes ahead, or £92.50 without a second nuclear plant. EDF has also signed a major new labour agreement for the workers who will build Hinkley Point C. The final investment decision will now not be taken until July 2014, having originally been pencilled in for the end of 2012.
- Following Centrica's decision to withdraw from the project, EDF has confirmed the project equity would be split with Chinese and French partners. EDF will take 45 to 50 per cent; Areva 10 per cent; China General Nuclear Corporation and China National Nuclear Corporation 30 to 40 per cent. Discussions are taking place with "a shortlist of other interested parties" that could take up to 15 per cent in the joint venture.
- Main construction at Horizon's new nuclear power station at Wylfa, currently anticipated to be the next nuclear station to be built, is not expected to start before 2018.
- Two of the existing Advanced Gas Cooled Reactors that were scheduled to retire in 2016 have received a seven year lifetime extension
- The following table summarises the major projects which are monitored by the National Joint Council for the Construction Industry in the electricity power generation sector.

NATIONAL JOINT COUNCIL for the ENGINEERING CONSTRUCTION INDUSTRY - MAJOR PROJECTS as at November 2013

Client / Managing Contractor	Location	Project	Cap Value £m	Start	Finish	'13	2014				2015				2016			
						Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
RWE Npower Renewables Ltd / Jacobs / Metso	Markinch	CHP	200	Q2/11	Q4/13													
Runcorn TPS/Keppel Seghers	Runcorn	EfW	400	Q2/11	Q2/14													
Air Products Plc/Foster Wheeler	Tees Valley	49MW EfW	320	Q1/13	Q3/14													
Multifuel Energy Ltd/HZI	Ferrybridge	68MW Multi Fuel	300	Q2/13	Q3/15													
Carrington Power Ltd/Alstom	Carrington	860MW CCGT	500	Q4/13	2016													
TMF Project Urenco Site/Jacobs	Capenhurst	Tails Management Facility	290	Q1/14	Q3/17													
Vireol / De Smet	Immingham	Wheat Biorefinery	200	Q2/14	Q4/16													
Gateway Energy Centre Ltd (Intergen)	Stanford le Hope	1050MW CCGT	500	Q2/15	2018													
Spalding Energy Expansion Ltd (Intergen)	Spalding	1050MW CCGT	500	Q2 /15	2018													

- In the renewables market, Ofgem forecast that the installed capacity of wind power will more than double before the end of the decade.
- In June 2013 some 1,571MW of onshore wind farm and 1,297 MW of offshore capacity were under construction, both slightly down on June 2012. With a dip in offshore construction predicted over the next couple of years, the British Wind Energy Association (BWEA) expects to see onshore make a stronger contribution to renewable energy targets in 2013/14 and 2014/15 than offshore. With 8GW either in operation or construction and the 4.8GW awaiting construction, BWEA is confident that onshore wind will deliver 13GW to 15GW by 2020, given that a further 7.7GW is in planning.
- In its UK Offshore Wind Report for 2013 the Crown Estates noted two projects of 429 MW had been contracted with construction still to commence with a further five projects totalling 1,935 MW for which consent has been granted. By end 2013 just over 3,600MW of capacity was operational. This compares to the DECC's target of having 18,000MW in operation by 2020 and the Crown Estates' aim to having 25,000MW of capacity either completed or under construction by this time.

- The National Infrastructure Plan 2013 revised the draft strike prices previously published, increasing the price for offshore generated electricity by £5/MWh whilst reducing on the onshore price by £5/MWh.
- The Scottish Government has awarded consent to MeyGen to construct an 86MW tidal project in the Inner Sound of the Pentland Firth and the order has been placed for the £650m, 250MW, privately-funded tidal scheme in Swansea Bay where construction work may start by 2015.
- Construction of the 99MW Dunmaglass wind farm project in the Scottish Highlands commenced in the second half of 2013 and Iberdrola has won planning permission from the Scottish Government to build a giant, £400m, 288MW, 96-turbine windfarm at Kilgallioch, south of Barrhill in south-west Scotland with work expected to start in late 2014, or early 2015.
- In the offshore market, Vattenhall has received planning approval to extend its Kentish Flats offshore wind farm, providing a 51MWincrease at a cost of £150m, and build a 100MW wind farm off the Aberdeenshire coast, estimated to cost £230m. Triton Knoll, which at 1,200MW is the biggest project ever consented, was given the go-ahead in summer 2013.
- Plans for the 240-turbine Atlantic Array project in the Bristol Channel were pulled by the developer RWE Innogy in November 2013.
- Ofgem's final proposals for National Grid's new investment as transmission owner published in December 2012 remain their latest view and were outlined in the previous review. The annual average spend of £1.5bn a year, in 2009/10 prices, is roughly 50 per cent higher than recent investment levels. In addition Ofgem proposed £243m of capex by National Grid as system owner over the eight-year period.
- Based on Ofgem's forecasts for regulatory asset values, it expects net additions (i.e. after allowances for disposals) to go from £1.44bn in 2013/14 to a peak of £1.69bn by 2015/16, before declining through to 2017/18.

FORECAST ADDITIONS TO NATIONAL GRID'S TRANSMISSION REGULATORY ASSETS

Data in £m, 2009/10 price	2013/14	2014/15	2015/16	2016/17	2017/18	Total (1)
Net additions – after disposals	1,439	1,655	1,689	1,667	1,485	11,725

Note 1: Total figure is for the eight -ear period April 2013 to March 2021.

Source: RIIO-GD1: Final Proposals – Finance and uncertainty supporting document, Ofgem December 2012

Outlook

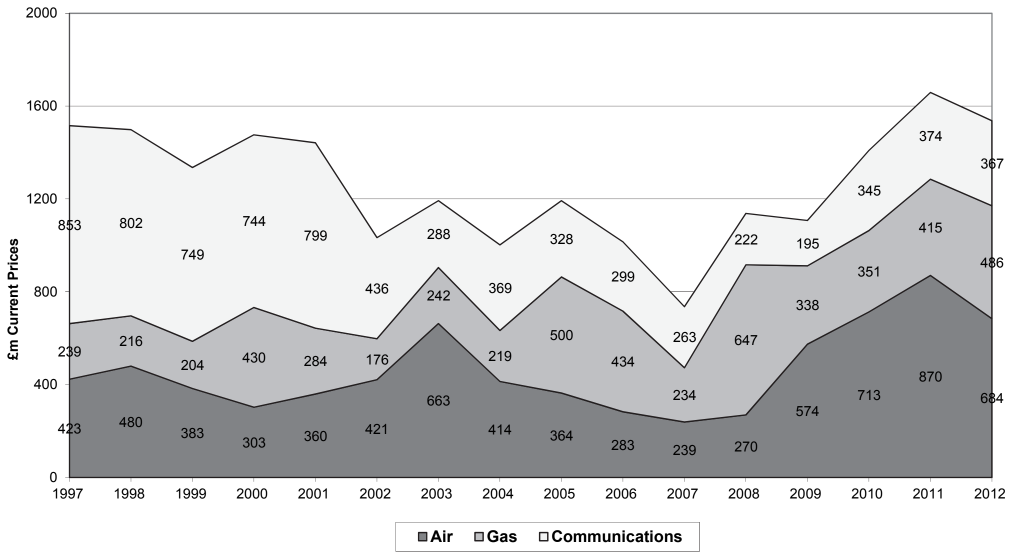
- In 2013 it is estimated that growth well into double-digits was achieved. Similar mid-double digit growth is forecast for 2014 as work starts on Hinkley Point C with a further stronger increase in 2015. Growth is forecast to fall back to single digits in 2016 pending any work starting on a second nuclear station.

4.6 GAS, AIR & COMMUNICATIONS

Orders & Output

- In 2012 air contributed 45 per cent of output for the sector, gas 32 per cent and communications 24 per cent. Similar figures for 2011 were air 52 per cent, gas 25 per cent and communications 24 per cent. The chart below shows the contribution to output in this sector of its component parts in the last 15 years.

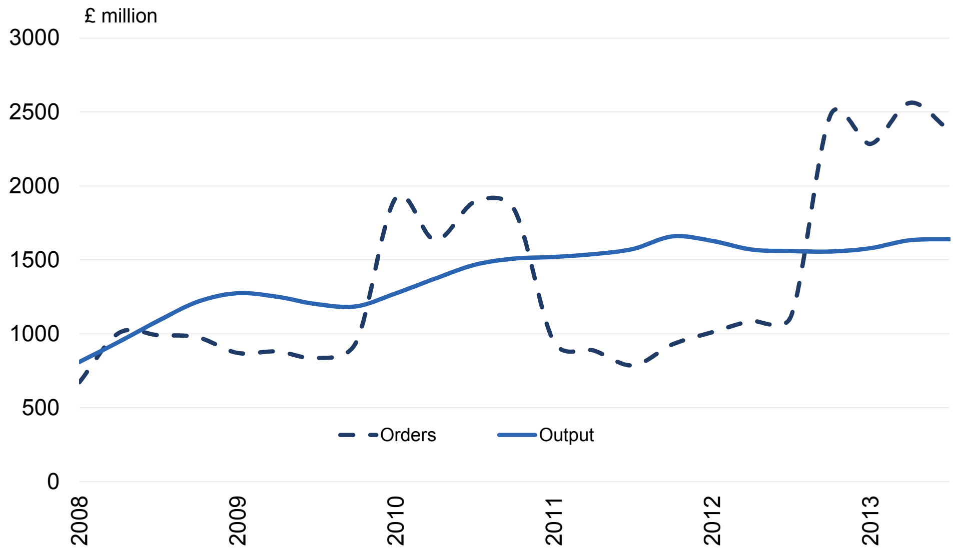
ANNUAL OUTPUT OF GAS, AIR AND COMMUNICATIONS, 1997 to 2012



Source: ONS

- A large gas distribution framework order in the London region provided the base for the exceptionally high orders in the fourth quarter of 2012 and resulted in gas, air and communications sector orders totalling £2.48bn in 2012, well over double the £928m total for 2011. Orders have returned to more normal levels in the first three quarters of 2013, totalling £721m, down 13 per cent on the same period of 2012.

GAS, AIR & COMMUNICATIONS ORDERS AND OUTPUT
4 Quarter Moving Totals



Source: ONS

- Output in 2012 totalled £1.56bn, down 6 per cent on the figure for 2011. In the first three quarters of 2013 output reached £1.22bn, 7 per cent higher that the same period of 2012. In the four quarters to end September 2013 output totalled £1.64bn, 5 per cent higher that the previous four quarters.

Drivers

- The current structure of the major UK airports includes Manchester Airport Group (MAG) which operates Stansted, Manchester, East Midlands and Bournemouth airports and owns the property company MAG Developments. Heathrow Airport Holdings owns and operates Heathrow, Southampton, Aberdeen and Glasgow airports and Global Infrastructure Partners which runs Gatwick and Edinburgh airports.
- In 2012, just over £1.1bn was invested at Heathrow itself, up from £844m in 2011. In the Investor Report it produced in December 2012, the company forecast that capital investment would rise to around £1.3bn in 2013, although not all of this will be construction related.
- Heathrow Terminal 2 is scheduled to open on 4 June 2014, with the closure of Terminal 1 planned for 2016. The extension to terminal 2 (T2B) is currently in the programme to commence in 2018/19.
- Major projects planned for Gatwick include an additional £176m on upgrading piers, £139m on improving departure lounges and £66m on new check-in concourses and baggage areas.
- In October 2013, the Civil Aviation Authority (CAA) published its final projections for the economic regulatory framework which included capital expenditure by both Heathrow and Gatwick airports in the period through to 2018/19 expressed in 2011/12 prices, although again only part of this investment is construction related. The CAA will give its final decision in January 2014.

PROPOSED CAPITAL INVESTMENT PROGRAMME AT HEATHROW AND GATWICK FOR Q6 PERIOD 2014 - 2019

£m, 2011/12 prices	2014/15	2015/16	2016/17	2017/18	2018/19
Heathrow	578	697	622	499	488
Gatwick	168	206	242	185	121

Source: CAA Capital Investment Values - October 2013

- The CAA is not setting prices for capital expenditure at either Stansted or Manchester. However, based on its submission to the Airports Commission Stansted's investment is to total £230m over the five years to 2018/19. This excludes any new runway development. An £80m investment in the terminal building was announced during 2013.
- Balfour Beatty has won a £40m contract to build search-and-rescue helicopter bases at existing airports in Caernarfon, Humberside, Inverness, Manston, Newquay, Prestwick and St Athan and refurbish an existing facility in Stornoway for Bristow, who take over search and rescue from the RAF in April 2015. Construction will place from early 2014 to early 2017.

- Edinburgh Airport will spend £25m on a scheme to move the terminal into the airport's current coach park (closer to the new tram stop), expand the security area, add new retail space and a business centre. This is the first part of a five-year, £150m investment programme. Work began in October 2013. The new security area is to open by late 2014 and the new retail space in 2015.
- Turning to gas, Ofgem's final assessment of National Grid Gas's investment programme as transmission owner, published in December 2012 remains their latest view and includes £2.413bn of load related capex and £965m of non-load related capex in the eight years to March 2021. In addition Ofgem proposed £226m of capex by National grid as system owner over the eight-year period.
- On an annual basis, Ofgem expects National Grid Gas's transmission investment to grow steadily over the next eight years. In net terms, it is forecasting a capital expenditure programme of £134m in 2013/14 rising continually to £602m by 2020/21, in 2009/10 prices.
- Ofgem also published in December 2012 its final decisions on gas distribution investment over the period to 2020/21. It is predicted to rise steadily over the next few years, from £746m in 2013/14 to £926m in 2017/18 in 2009/10 prices.
- Amec and Morrison have been awarded a £200 million five-year contract extension by Wales and West Utilities to replace 420km of gas mains each year and complete 40,000 customer gas connections.

Outlook

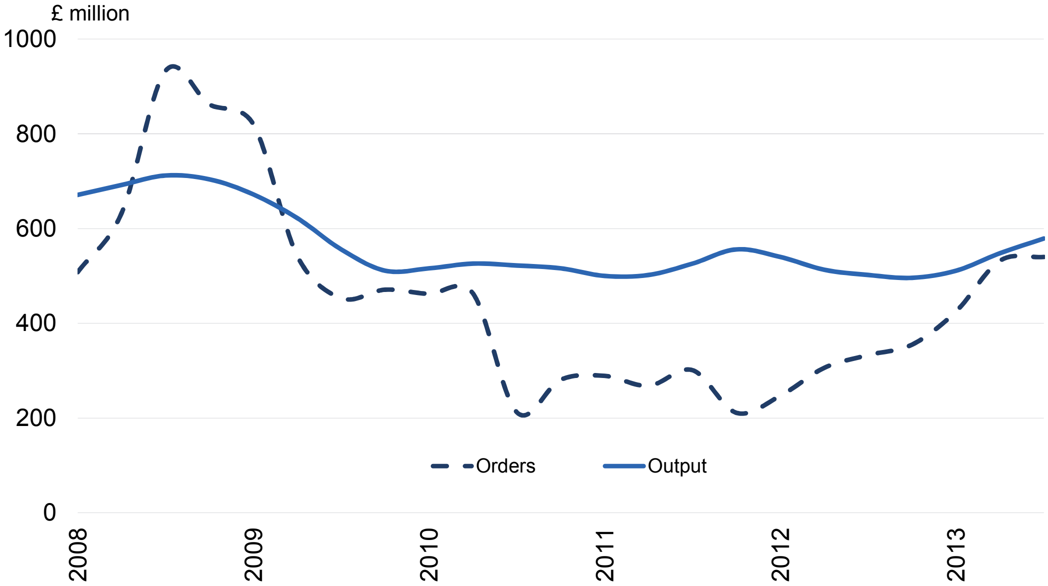
- Following stability in estimated output in real terms in 2013, moderate single digit growth is forecast for the gas, air and communications sector for the remainder of the forecast period.

4.7 HARBOURS

Orders & Output

- Orders in the harbours sub-sector were £355m in 2012, 68 per cent above the figure for 2011. Orders of £211m in 2011 were the lowest for well over a decade. New orders have also been strong in the first three quarters of 2013 at £486m, already greater than the annual total for 2012, and 61 per cent above the same three quarters of that year.
- Harbours new work declined steadily throughout 2012 and ended the year at £496m, down 11 per cent on the £556m total for 2011. There has been some pick-up in output in 2013 with £447m recorded for the first three quarters, 23 per cent higher that the same period of 2012.

HARBOURS ORDERS AND OUTPUT
4 Quarter Moving Totals



Source: ONS.

Drivers

- Tenders for the Environment Agency seven-year contract worth up to £485 million to manage flood prevention works in the Thames Estuary covering the tidal Thames from Teddington in West London, through to Sheerness and Shoeburyness in Kent and Essex closed in October 2013.
- Work began in October 2013 on the £9.2m contract to renovate the historic Terminal 1 building at the Port of Dover. The project is part of the Port of Dover's wider heritage project that will also rejuvenate parts of the adjacent Fisherman's Walkway, the distinctive Stair Tower and the Western End of the Prince of Wales Pier.
- A Bam Nuttall and Van Oord joint venture has won a £75m deal for Peel Ports as part of its £300m scheme to build a new container terminal on the Mersey estuary in Liverpool. When complete, the new facility will be able to accommodate some of the world's largest container vessels two at a time. It is due to open in 2015.
- Balfour Beatty has won the £20m Anchorsholme Scheme for Blackpool Council and the £53m Rossall Scheme for Wyre Council to replace over 2.9 km of seawalls dating from the 1930s. Work on both contracts will start this winter. Anchorsholme will complete in summer 2015 and Rossall in the summer of 2017.
- Work on the £86m Elgin Flood Alleviation Scheme, one of the largest construction projects in the north of Scotland which started in 2011 is planned for completion in spring 2015.
- In mid-2013 the Government set out a long-term funding settlement for flood defences in England, rising to an annual figure of £370m and protected until 2020/21.The funding amounts to £2.3bn in total, representing an annual increase of 18 per cent compared with the earlier Spending Review period.

Outlook

- Following estimated mid-single digit estimated growth in 2013, similar levels of growth are in prospect for the remainder of the forecast period through to 2016.

5. Public non-residential construction

PUBLIC NON-RESIDENTIAL CONSTRUCTION OUTPUT	Actual				Est.	Forecasts		
	2009	2010	2011	2012	2013	2014	2015	2016
£ million (2010 prices)	10988	14372	13384	10466	9733	9490	9281	9272
Annual % change	*31.1*	*30.8*	*-6.9*	*-21.8*	*-7*	*-3*	*-2*	*0*

Source: ONS and Experian

After reaching its peak in 2010, Public non-residential activity fell for the second consecutive year in 2012, to £10.5bn (2010 prices). The decline has continued in the first three quarters of 2013 as output slipped 10per cent to £7.2bn, when compared to the same period of the previous year.

New orders in the public non-residential sector slipped for the third successive year in 2012, to £7.3bn (2005 prices), the lowest figure since 1997, with an annual decline of 14 per cent. However, in the first three quarters of 2013 the trend reversed with an increase of 13 per cent to £6.1bn when compared to the first three months of 2012.

The health sub-sector could be boosted in the short-term by the reclassification of the redevelopment of the Royal Liverpool Hospital to the public sector as most of the funding is now coming from the public purse.

In contrast, the largest current school building programme the Priority School Building Programme is largely privately-financed and thus output from it should appear in the private commercial sector.

In the education sub-sector as a whole, growth is more likely to be seen in the universities part of it rather than schools and colleges, with campus expansions and redevelopments in the pipeline at Northampton, Manchester, Surrey, Wolverhampton, Salford and Kings College.

There is little impetus for central or local government to increase expenditure on public offices or leisure facilities over the forecast period, but the sector should benefit from defence work, given that the Defence Infrastructure Organisation is likely to take forward future building programmes through traditional publicly-funded procurement routes rather than privately-financed ones as it has done in recent years.

The outlook for public non-residential construction remains muted and it is the only new work sector which is predicted to see a fall in activity over the forecast period. Constraints continue on public expenditure, furthered by a new set of reductions in capital Departmental Expenditure Limits over the coming years as outlined in the 2013 Autumn Statement. However we expect output to stabilise towards the end of the current forecast period.

5.1 SECTOR OVERVIEW

Output & orders

- Output in 2012 totalled £10.5bn (2010 prices), 22 per cent below the previous year's figure, and the second consecutive annual decline. It was also the lowest annual figure since 2008.
- In the first three quarters of 2013 public non-residential construction output totalled £7.2bn (2010 prices), representing a fall of 10 per cent on the corresponding figure of 2012. On a quarterly basis output edged upwards by 2 per cent from the previous quarter in the third quarter of 2013. On a four-quarter moving total basis activity fell for the tenth consecutive quarter in the third quarter of last year and was 34 per cent below its peak in the final three months of 2011.
- New orders were also down for a third year running, with an annual decline of 14 per cent to £7.3bn (2005 prices). On an annual basis, new orders were at their lowest level for 16 years
- However, the trend has reversed in 2013, with new orders totalling £6.1bn in the first three quarters of the year, which was an increase of 13 per cent on the same period of 2012.

PUBLIC NON-RESIDENTIAL ORDERS AND OUTPUT				
	Orders		Output	
	£ million (2005 prices)	*% change y-on-y*	£ million (2010 prices)	*% change y-on-y*
2008	12708	*26.0*	9085	*20.5*
2009	14161	*11.4*	10988	*20.9*
2010	13274	*-6.3*	14372	*30.8*
2011	8610	*-35.1*	13384	*-6.9*
2012	7373	*-14.4*	10466	*-21.8*
2012 Q1	1631	*-38.4*	2840	*-18.0*
Q2	1843	*-46.8*	2644	*-22.2*
Q3	1899	*-34.9*	2533	*-23.6*
Q4	2000	*2.3*	2448	*-22.9*
2013 Q1	2180	*33.7*	2344	*-17.5*
Q2	2052	*11.3*	2420	*-8.5*
Q3	1824	*-3.9*	2476	*-2.3*

Source: ONS.

Drivers

- According to the government's Construction Pipeline it is currently sitting on a pipeline of projects worth upwards of £114bn. While much of this is in the infrastructure sector some 14 per cent of these projects by value are education and 12 per cent health.
- However, the government has signalled that austerity measures will continue to 2018 and that departments are expected to find a further 6.5 per cent of cuts in 2014/15, further constraining the possibility of any growth in the sector.

VALUE OF OUTPUT OBTAINED BY CONTRACTORS – NEW WORK FOR THE PUBLIC SECTOR						£ million current prices						
	2008	2009	2010	2011	2012	2012				2013		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
Factories	55	49	72	103	113	34	32	28	19	13	14	17
Warehouses	25	29	31	20	22	4	5	6	7	7	9	11
Oil, Steel & Coal	11	15	12	8	60	7	14	20	19	14	11	8
Schools and Colleges	4108	5212	6497	6358	4970	1286	1242	1286	1156	1001	1076	1167
Universities	1258	1042	1304	1239	902	215	216	241	230	209	270	368
Health	1665	2004	2453	2008	1673	392	405	449	427	404	482	579
Offices	879	909	1003	868	779	168	181	212	218	201	208	205
Entertainment	969	1258	1162	1105	836	223	214	211	188	163	175	199
Garages, shops	113	179	341	163	76	19	17	19	21	24	34	45
Agric., Miscellaneous	903	1161	1498	1441	1368	336	349	369	314	248	254	276
Total	9988	11857	14372	13311	10792	2684	2675	2839	2598	2285	2532	2874

Note: These figures do not include work undertaken by Direct Labour Organisations (DLOs).

- The Scottish Government's draft 2014/15 budget shows both health and education capital spending falling in 2015/16, with the former seeing a significant cut. Capital expenditure on health is projected to fall from £420m in 2013/14 to £163m in 2015/16, while education sending is set to decrease to £92m from £123m over the same period.

VALUE OF ORDERS OBTAINED BY CONTRACTORS – NEW WORK FOR THE PUBLIC SECTOR						£ million current prices rrent prices rrent prices						
	2008	2009	2010	2011	2012	2012				2013		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
Factories, warehouses, oil, steel, coal	102	129	65	170	210	72	12	101	25	43	18	16
Schools and Colleges	5858	6695	6126	4278	3479	664	917	1020	878	964	715	658
Universities	1623	1104	1421	718	756	162	239	165	190	232	567	388
Health	2257	2359	2443	1331	1296	323	284	362	327	845	455	448
Offices	1114	1013	847	554	804	105	295	173	231	114	35	80
Entertainment	2349	1116	1085	685	585	114	135	96	240	129	130	202
Garages, Shops	170	460	103	55	92	8	11	30	43	31	62	28
Agric., Miscellaneous	1198	1831	1340	1274	806	260	211	180	155	215	229	228
Total	14671	14709	13430	9064	8028	1709	2103	2128	2088	2572	2210	2048

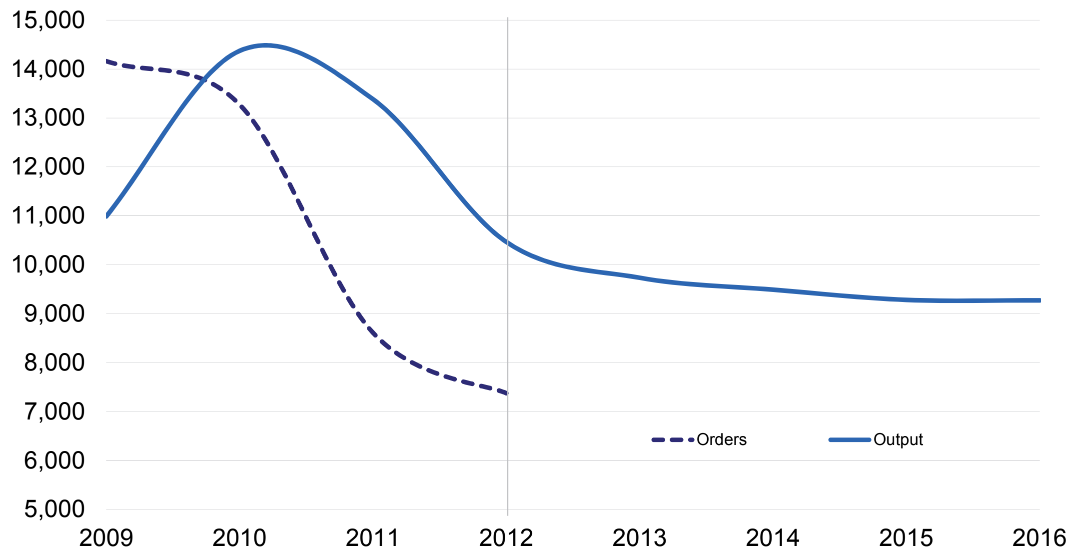
Source: ONS.

- According the Welsh government's draft 2014/15 budget projected capital expenditure on health is expected to fall to £235m, down from a 2013/14 baseline of £241m. Education spending will also take a hit with investment in the sector falling £202m to £144m by 2015/16.

Outlook

- The outlook for the sector remains poor and given further public expenditure cuts the trend can only really continue downwards for a little while longer. The education sub-sector remains the largest in the sector, accounting for over 54 per cent of public non-residential output in 2012, although its share was down from 57 per cent in the previous year. However, the main school building programme now operating, the Priority School Building Programme, is largely privately-financed and thus output from it should appear in the private commercial sector. The university sub-sector should see some growth in the short term and there has been some boost to health construction activity in the short-term, not least due to the reclassification of redevelopment of the Royal Liverpool Hospital to the public sector as most of the funding is now coming from the public purse. However, growth in both sub-sectors is expected to be short-lived. Therefore we anticipate further declines in public non-residential output this year and next, although falls should be much more modest than in the recent past, preceding stabilisation in 2016.

PUBLIC NON-RESIDENTIAL ORDERS (2005 PRICES, £M) AND OUTPUT (2010 PRICES, £M)



Source: ONS, Experian

5.2 HEALTH

Output & orders

- Output in 2012 for the health sub-sector fell below the £2bn mark for the first time in four years, with an annual decline of 17 per cent to £1.7bn (current prices).
- Output in the first three quarters of 2013 totalled £1.46bn, an increase of 18per cent on the corresponding period of the previous year. The trend was also positive in terms of the four quarter moving total, which ticked up for the third consecutive quarter.
- Total orders for 2012 fell by 3 per cent to £1.3bn (current prices), making it the lowest total since 2001, and the second successive annual decline.
- However, in the first three quarters of this year new orders increased sharply with an 80 per cent upswing to £1.75bn, when compared to the same period of the previous year.

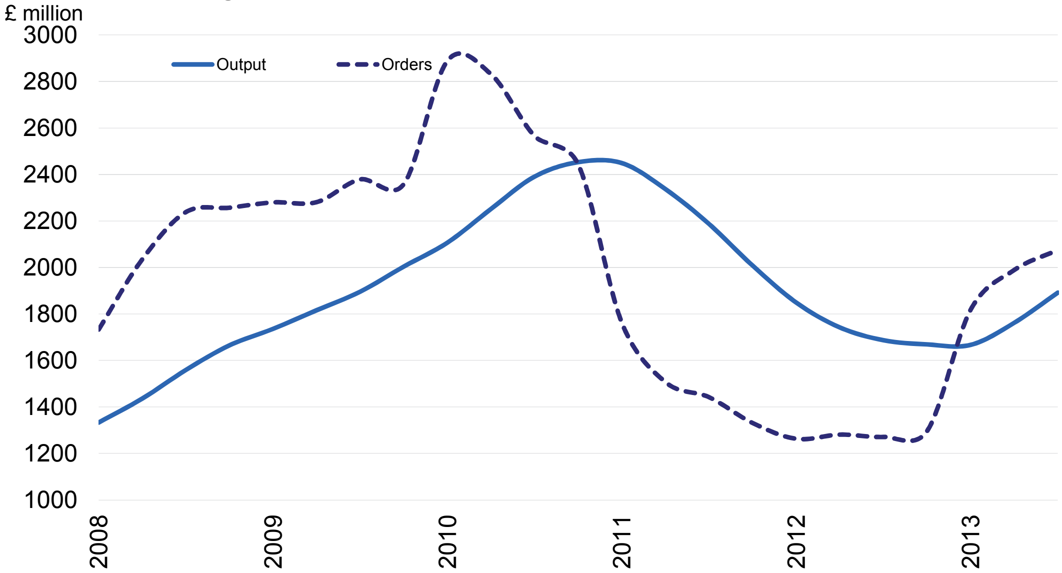
Drivers

- Work on various ProCure 21+ projects continues, with the NHS stating there were 30 schemes active over the past six months.
- Detailed plans have been granted for the extension and refurbishment of Royal Sussex hospital, the latest project to fall under the ProCure 21+ scheme. The redevelopment will provide modernised accommodation facilities, an integrated neuroscience campus and an extension to the current cancer centre. The project is estimated to cost £410m and work on-site is expected to begin imminently, and the refurbishment is set to be completed by 2021.
- Carillion has been appointed to build the £335m New Royal Liverpool Hospital. The majority of the funding is now due to come from the public sector with a £110m contribution from the Royal Liverpool and Broadgreen University Hospitals NHS Trust and £100m from the Department for Health. Financial close on the project is likely to be reached in January 2014 and work is expected to start soon after. The new hospital will consist of 23 wards, 18

operating theatres, a 40 bed critical care unit and a large clinical research facility. The hospital is also tipped to be one of the 'greenest' in the country with leak detection systems, water meters, renewable energy systems and low carbon technology.

- Work is soon to begin on a replacement psychiatric hospital in West London. Permission was granted to West London Mental Health NHS trust to build a replacement for Broadmoor high security hospital. Work is expected to commence soon on the £256m development and should be completed by 2016.

HEALTH ORDERS AND OUTPUT
4 Quarter Moving Totals



Source: ONS.

Outlook

- After two years of decline health output in is likely to have risen in 2013, perhaps by as much as 10 per cent in real terms and on the back of positive new orders figures for the first half of the year, we do expect a further uptick in in activity for 2014, albeit more moderate. Beyond that we anticipate a trend reversal on the back of a slowdown in schemes coming through the Procure 21+ programme.

5.3 EDUCATION

Output & orders

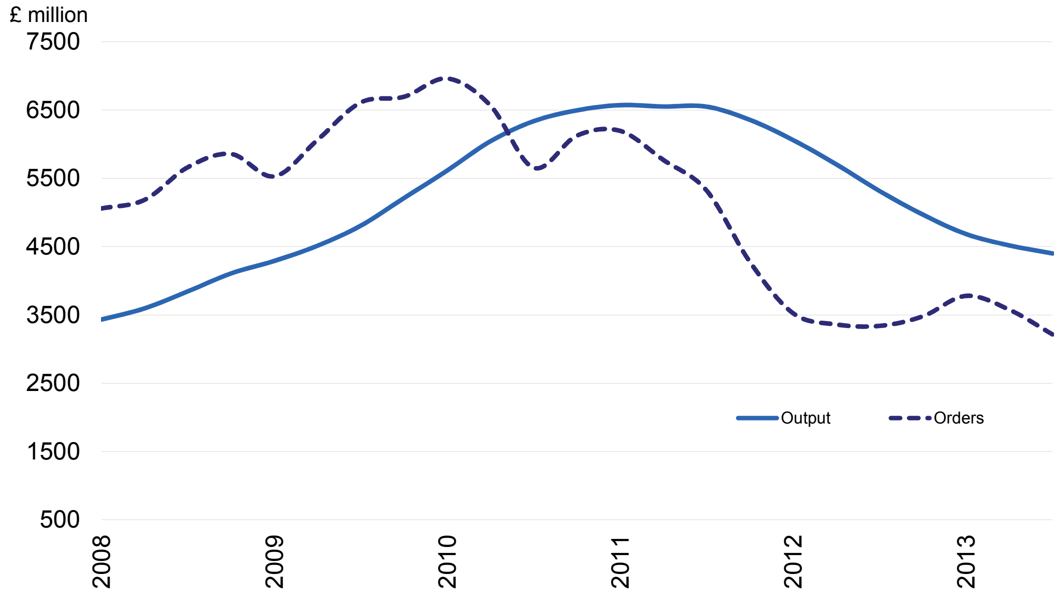
- Total activity in the education sector fell sharply in 2012, following on from historic highs in the previous two years. Output totalled £5.9bn (current prices), after a year-on-year fall of 23 per cent, however it is worth noting that the 2012 level is still above the sector's long term average.

- In the nine months to September 2013 output stood at £4.1bn, a fall of 9 per cent on the same period of the previous year. However on a four-quarter moving total basis, activity remained flat in the three months to September, after experiencing its eight successive decline in the previous quarter.

- In 2012 new orders for education construction fell for the third successive year to £4.2bn, a year-on-year decline of 15 per cent and the lowest annual total since 2003.

- This trend reversed in the first three quarters of 2013 as education orders increased by 11 per cent to £3.5bn, when compared to the same period of the previous year, with all the growth coming in the universities sub-sector.

SCHOOLS ORDERS AND OUTPUT
4 Quarter Moving Totals



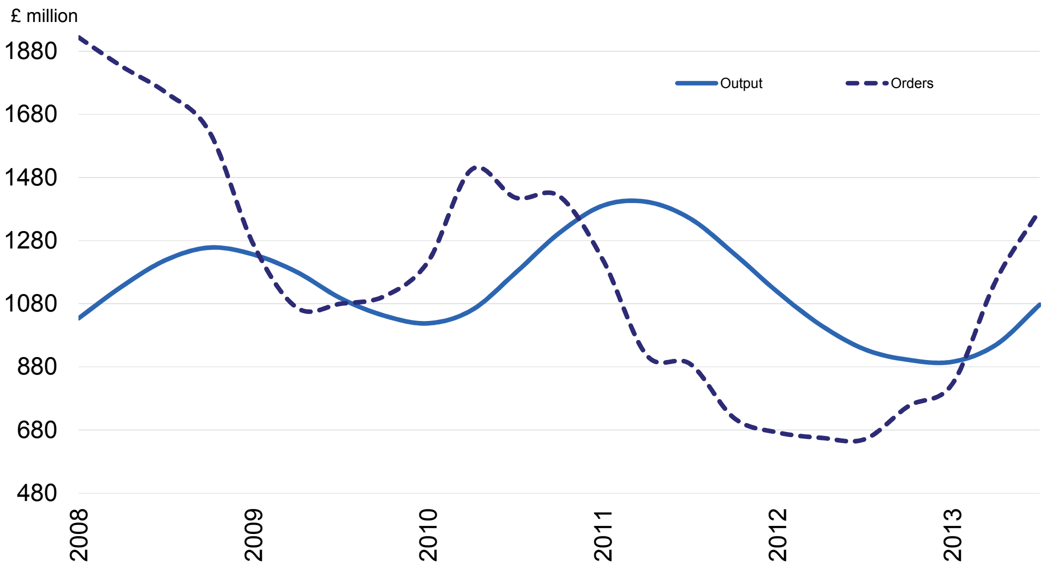
Source: ONS.

Drivers

- According to the latest spending round the government will continue to fund its initial plan of building up to 180 free schools, 20 new studio schools and 20 university technical colleges a year for the remainder of this parliament. However, the capital department spending limit (DEL) will remain unchanged at £4.6bn until at least 2015.
- The Education Funding Agency has begun its search for contractors for its £5bn regional schools framework. The four-year scheme will cover the East of England, London, South East, North East, South-West and West Midlands, with contacts ranging in value from £500m to £1.5bn. The framework will mainly go towards refurbishment and remodelling works and construction is expected to commence in the latter half of 2014.
- More than 50 colleges will build new facilities backed by more than £230m in government grants. The colleges will get £233m from the third and fourth rounds of the college capital investment fund from the Skills and Funding Agency, and the colleges themselves will be putting up around an additional £250m, taking overall funding to over £500m. Work is expected to run over a five-year period between 2014 and 2019.
- The government will provide £150m of funding to continue the school sport premium into the academic year 2015-2016, the aim of the scheme is to build a raft of new school sports facilities across the UK.
- The Department of Education has outlined plans for a £122m investment to renovate schools across Greater London. Work is expected to commence in 2014 and the upgrade will take around four years to complete.

- Plans have been brought forward for 55 schools to be rebuilt under the Scottish Futures Trust programme. The programme is expected to cost around £1.2bn and of this figure £800m will be provided by the Scottish government and the remaining £400m from local authorities. As it stands construction work should begin late this year to meets its 2018 completion date.
- Work is expected to commence on two new schools in Midlothian at an estimated cost of £48m at the beginning of 2014 and run for two years.
- Over the past few months some £225m of additional funding has been provided for the 21st Century Schools programme in Wales to accelerate building projects. The programme is now due to be completed in 2018/19 rather than in 2020/21 and this acceleration should lead to more investment during the current forecast period.

UNIVERSITIES ORDERS AND OUTPUT
4 Quarter Moving Totals



Source: ONS.

- Northampton University has outlined plans for a new 55-acre campus in the centre of town, inside the new Waterside Enterprise zone. If the green light is granted the University is expecting to relocate from its current premises. The new site is expected to cost around £330m and construction work should begin in early 2015 with a 2018 estimated completion date.
- Plans have been approved for a new £18m business school building for the University of Wolverhampton. The six storey building will include meeting rooms, teaching space and a canteen. Work is expected to begin before the end of 2014 and construction should continue for two years.
- Permission has been granted for a new £45m veterinary school at the University of Surrey. The building will be one of eight across the UK, providing a state-of-the-art research facility for veterinary science. The main academic building will include offices, lecture theatres, research laboratories, a café and an animal clinical skills centre. Work on site will commence in early 2014 and should be completed before the end of 2015.
- The University of Manchester has revealed plans for a £1bn expansion of its current campus. The aim of the project is to create a single campus which will include a number of new teaching facilities and research buildings. Plans have been submitted for the first stage of the development which is expected to cost around £700m. The initial phase will include a new

engineering campus, new centres for the school of law and Manchester Business School, a new medical school and expansion to the library. Work on the development is expected to have begun before the end of 2013 and should be completed by 2019. Work on the second phase of the development is scheduled to begin in 2017.

- Work has begun on the £81m student accommodation project for the University of Salford. The project was initially valued at £64m, but the initial scope and specifications of the project have since been upgraded. The project is due for completion by September 2015.
- King's College London has been given the go ahead for a mixed use campus development in Canada Water. Council planners approved the scheme consisting of 610 square metres of retail space, a health centre and additional student accommodation.

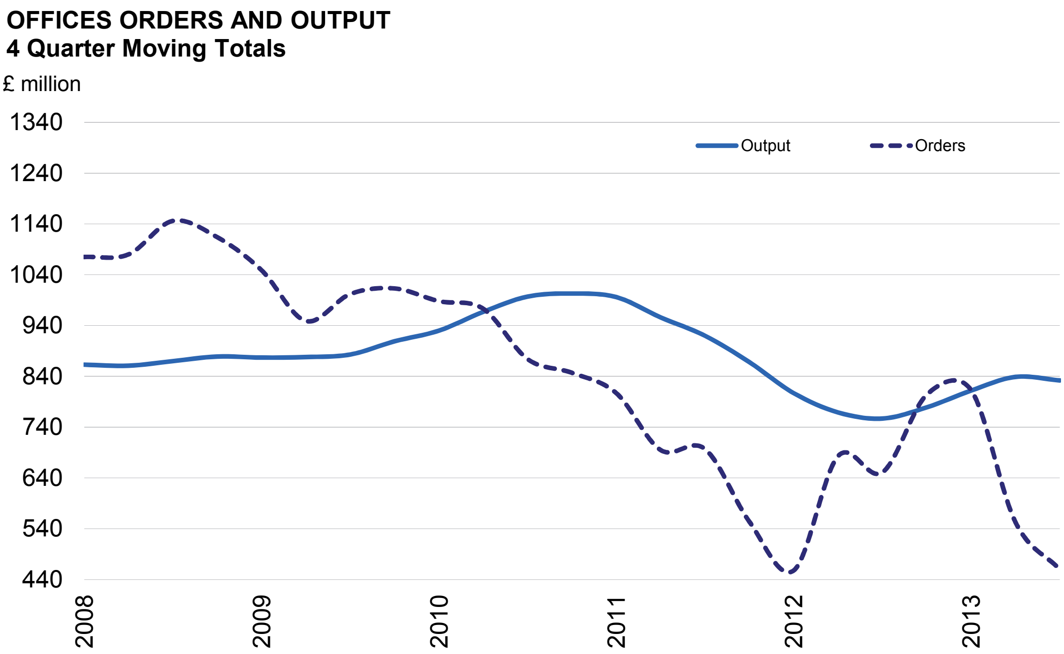
Outlook

- Schools and Colleges remains the largest component of public non-residential construction by some distance, despite anticipated falls in both 2013 and 2014. The sector remains constrained by restrictions to public spending and that will continue to be the case in 2015. We do expect a modest return to growth in 2016 on the basis of reduced fiscal pressure.
- Universities are expected to perform better in the short term with forecasted upticks in both 2013 and 2014, following on from a number of significant projects, including expansions to both Northampton and Manchester Universities, as well as a number of smaller projects. However, as current projects near completion we expect a contraction in activity in both 2015 and 2016.

5.4 OTHER SUB-SECTORS

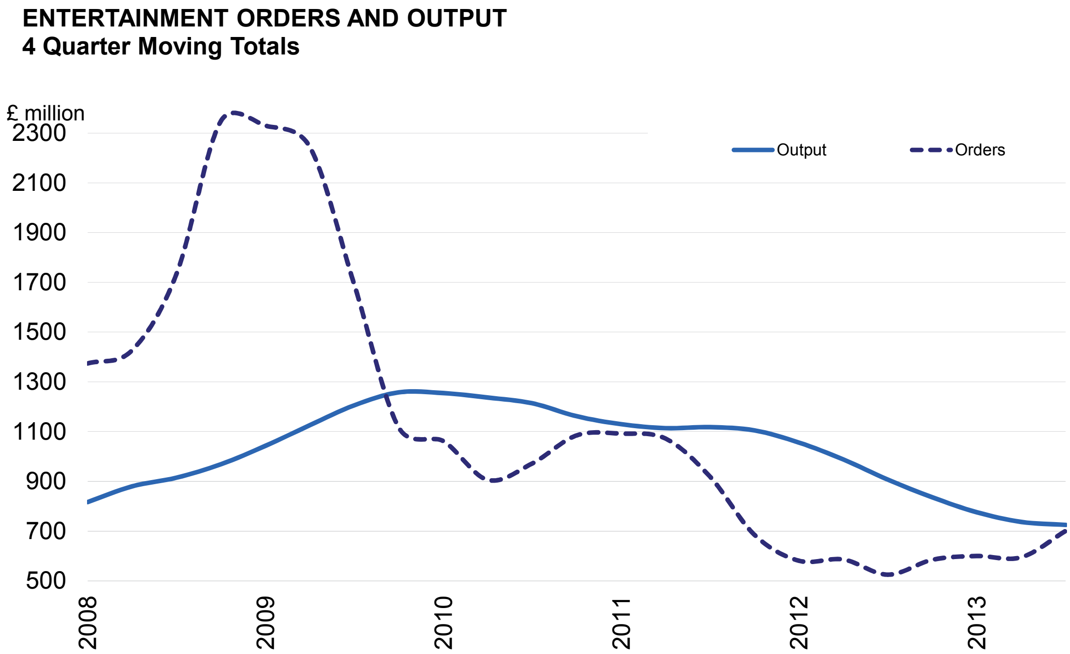
Output & orders

- Output in 2012 in the offices sector by fell 10 per cent to £779m (current prices), the second successive annual decline.
- In the first three quarters of 2013 activity in the offices sector stood at £614m, 9 per cent above the equivalent figure for 2012. However the four-quarter moving total continued to edge downwards in the three months to September 2013.
- After three successive annual contractions, new orders picked up by 45 per cent on an annual basis in 2012 to £804m (current prices).
- The upswing did not continue in the first three quarters of 2013 as new orders contracted by 60 per cent to £229m, when compared to the same period of the previous year.



Source: ONS.

- Output in the entertainment sector fell by 24 per cent on annual basis to £836m (current prices) in 2012, although this can be seen as a correction rather than contraction, as the sector reached historically high levels in each the three preceding years, on the back of the 'Olympic effect'.

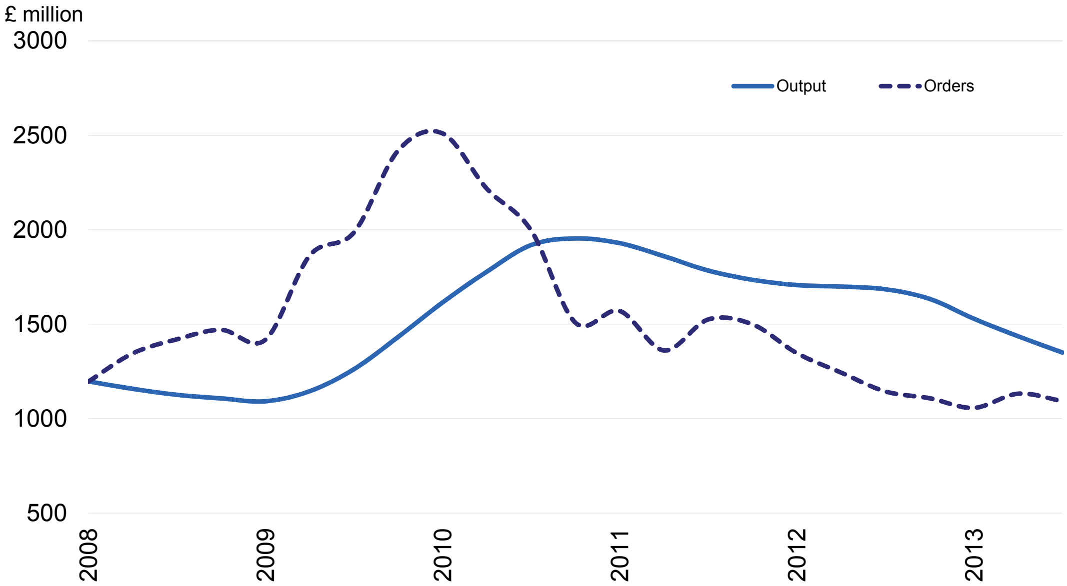


Source: ONS.

- The bearish trend was also apparent in the first nine months of 2013, as activity was 17 per cent below its level for same period of the previous year at £537m. Meanwhile the four-quarter moving total slipped downwards for the fifteenth consecutive quarter.
- Entertainment orders fell for the fourth successive year in 2012, totalling £585m, an annual decline of 15 per cent and the lowest figure for 12 years.

- New orders began to recover in the first nine months of 2013 as the total rose 34 per cent to £461m, in comparison to the same period of 2012.
- The 'other' sub-sector includes factories, warehouses, oil, steel, coal, garages, shops, agriculture and miscellaneous building. Output in this sector fell by 6 per cent in 2012 to £1.6bn, the fourth successive annual drop.
- The decline continued in the first nine months of 2013, with activity falling 22 per cent to £985m, when compared to the same period of the previous year. On a four-quarter moving total basis outturn fell for the eleventh successive quarter.
- New orders in the 'other' sector fell for the third consecutive year to £1.1bn (current prices), an annual contraction of 26 per cent and the lowest value for 14 years.
- In the first three quarters of 2013 new orders in the 'other' sector edged downwards by 2 per cent to £870m, when compared to the same period of the previous year. On a four-quarter moving total basis, orders ticked downwards in the three months to September 2013.

OTHER ORDERS AND OUTPUT
4 Quarter Moving Totals



Source: ONS

Drivers

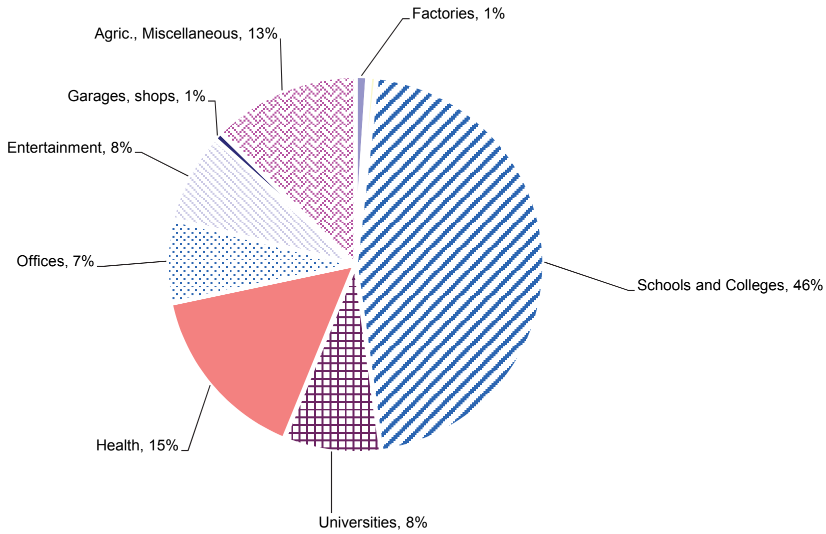
- The Ministry of Defence (MoD) has outlined plans for a new £226m specialist training school in West Oxfordshire. Work on site is scheduled to commence in mid-2014 and the facility is expected to be operational by 2016.
- The MoD is planning to upgrade existing military buildings and infrastructure across Glasgow. The upgrade will cost approximately £250m and work on site is expected to have begun in late 2013. The framework should be complete by 2017.
- Plans for the redevelopment of Worthy Down army base in Winchester have been submitted. The £300m project comprises of a new centre for the Army, Royal Navy and Royal Air Force consisting of new accommodation, a new museum, mess areas and gym facilities. The scheme will also include the demolition of up to 45,000 square metres of floor space to make way for 77,000 square metres worth of new development. Work should commence in the beginning of 2014 and the development is expected to be completed by 2025.

- Outline plans have been granted for the demolition of three houses and two schools, to be replaced by a £60m 300-cell prison in Inverclyde. The facility will include a full range of prison buildings including laundry, education and recreational facilities. Construction work was scheduled to have commenced by end 2013 and should be completed by late 2016.
- Galliford Try Ltd has won a £35m contract to build the second phase of a Welsh prison in Wrexham. It will build a new block containing 216 cells, a two storey industrial workshop, an education building and a young offender's institution. Work is expected to begin in early 2014 and the site should be ready the following year.

Outlook

- Given current public expenditure constraints, which are due to continue beyond our current forecast period, the prognosis for construction in these sub-sectors is poor. There is little reason to believe that either central or local government would be looking to increase investment in public offices or leisure facilities over the next few years. The one possibility for growth could be the 'other' sub-sector which includes defence related construction work, given that we are likely to see a switch from privately to publicly funded work over the next few years.

SHARE OF PUBLIC NON-RESIDENTIAL OUTPUT BY SUB SECTOR, 2012



Source: ONS.

6. Private industrial construction

PRIVATE INDUSTRIAL CONSTRUCTION OUTPUT								
					Est.		Forecasts	
	2009	2010	2011	2012	2013	2014	2015	2016
£ million (2010 prices)	3178	3551	3209	3427	3187	3315	3480	3689
Annual % Change	*-29.8*	*11.7*	*-9.6*	*6.8*	*-7*	*4*	*5*	*6*

Source: ONS and Experian.

In 2012, activity picked up by 7 per cent on an annual basis to reach £3.4bn (2010 prices). In the nine months to September 2013 output declined by 3.3 per cent to £2.4bn (2010 prices) when compared to the first nine months of 2012. In the third quarter of 2013, output fell back below £800m, for the first time since the final quarter of 2011.

UK GDP grew by 0.8 per cent quarter-on-quarter in the third quarter of 2013, following expansion of 0.7 per cent in the second quarter and remains broad-based, with all four main industrial groupings (agriculture, production, construction and services) posting increases. Growth in the third quarter was 1.4 per cent in agriculture, 0.5 per cent in production (within which manufacturing output increased by 0.9 per cent for the second quarter in a row), 2.5 per cent in construction, and 0.7 per cent in services.

Activity in the sector remains dependent upon a relatively small number of projects within the automotive sector primarily the £350m Jaguar Land Rover facility in South Staffordshire and Vauxhall's £125m Ellesmere Port factory, although work on those projects is beginning to wind down. Looking forward we expect growth to be driven more by the warehouse sub-sector than by factories and it has already begun to see a strong upturn in new orders in the third quarter of 2013).

Markit/CIPS manufacturing PMI index rose to 58.4 in November, up from a revised figure of 56.5 in October. The figure in November was at its highest since February 2011.

However, the picture in the Eurozone remains weak, with the October Euro and final composite PMI standing at 51.9, down from 52.2 in September, but above the Flash reading (and consensus expectations) of 51.5. October's PMIs suggest that recent momentum in economic activity is now slowing down, which will continue to constrain export demand. Whilst we still expect a gradual recovery in euro area GDP over the coming quarters, there is not enough evidence to support hopes of increased demand for UK products in the short term.

Growth in online shopping remains bullish with figures for sales through mobile/tablet devices set to see further increases going forward. The continuing growth in this market is fuelling demand for new distribution facilities.

Industrial construction is the smallest sector in the nation's construction market, overtaken by public housing in 2009 and accounting for only 3.1 per cent of total output in 2012. It is expected to remain at the bottom of the pile despite moderate growth for each year of the forecast period, and by 2016 is projected to lose share slightly (2.9 per cent).

6.1 SECTOR OVERVIEW

Output & orders

- Output in the industrial construction sector reached £3.4bn (2010 prices) in 2012, an increase of 7 per cent year-on-year, although total activity remained just above half of its 2006 level. The positive trend did not continue in the first three quarters of 2013 as output fell 3 per cent to £2.4bn, in comparison to the same period of 2012. The four-quarter moving total also dipped for the second successive quarter in the third quarter of last year.

PRIVATE INDUSTRIAL CONSTRUCTION ORDERS & OUTPUT

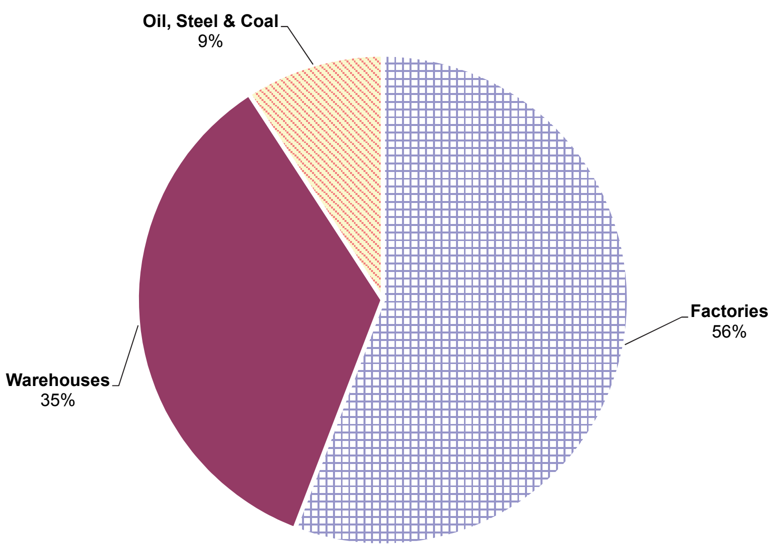
	Orders		Output	
	£ million (2005 prices)	*% change y-on-y*	£ million (2010 prices)	*% change y-on-y*
2008	3982		4529	
2009	2555	*-91.4*	3178	*-46.4*
2010	2047	*-19.9*	3551	*11.7*
2011	1927	*-5.9*	3209	*-9.6*
2012	2382	*23.6*	3427	*6.8*
2012 Q1	699	*43.2*	812	*-5.5*
Q2	524	*-9.5*	842	*-7.1*
Q3	661	*31.9*	847	*-17.6*
Q4	498	*4.2*	925	*15.5*
2013 Q1	544	*-22.2*	858	*5.7*
Q2	650	*24.0*	802	*-4.8*
Q3	857	*0.0*	759	*-10.4*

Source: ONS.

- After five straight years of decline new industrial orders returned to growth in 2012, with a 24 per cent upturn to £2.4bn, although the overall figure is just 40 per cent of its peak 2006 level.

- The upturn continued in the nine months to September 2013, as new orders picked up 9 per cent to £2bn, when compared to the same period of 2012.

SHARE OF PRIVATE INDUSTRIAL OUTPUT BY SUB SECTOR, 2012



Source: ONS.

Drivers

- UK GDP grew by 0.8 per cent quarter-on-quarter in the three months to September 2013, following on from an uptick of 0.7 per cent in the previous quarter. Among the demand components, general government expenditure increased by 0.5 per cent and household consumption rose by 0.8 per cent, the eighth successive quarterly rise. Gross fixed investment increased by 1.4 per cent in the third quarter of 2013, following an increase of 0.8 per cent in the three months to June, confirming a recovery from its 2012 low. Business investment also increased, ticking up by 1.4 per cent following a decrease of 2.7 per cent in the second quarter of 2013. However we are yet to see the sort of sustained rise in business investment that would suggest that manufacturers generally are looking to increase capacity.

VALUE OF NEW INDUSTRIAL OUTPUT

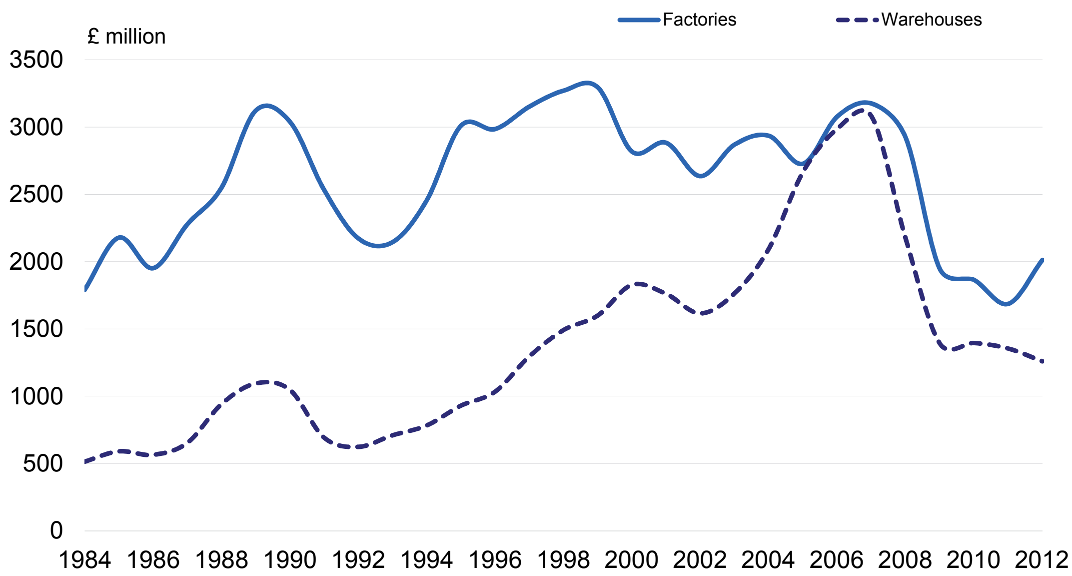
£ million current prices

	Factories	Warehouses	Oil, Steel & Coal	Total Industrial
2008	2923	2174	244	5338
2009	1947	1392	175	3514
2010	1865	1396	289	3551
2011	1687	1355	322	3365
2012	2082	1300	339	3724
2012 Q1	439	325	84	848
Q2	495	343	78	916
Q3	533	329	84	947
Q4	615	303	93	1011
2013 Q1	575	237	87	899
Q2	562	239	72	872
Q3	546	285	51	882

Source: ONS.

- Furthermore, the recent positive developments in business investment were offset by developments on net trade, which deteriorated sharply in the third quarter, recording the highest deficit since the third quarter of 2010. We still expect GDP to grow by 2.3 per cent in 2014 but there are downside risks from weak exports and continued poor wage growth, the latter of which could dampen consumer spending.
- UK retail sale volumes continue to grow but the pace appears to be slowing from the strong rate seen in recent months. Sales volumes fell by 0.7 per cent (seasonally adjusted) between September and October. The three-month comparison, which eliminates erratic monthly movements, showed that between May-July and August-October sales volumes were flat, following consistent expansion on this measure since March 2013. On an annual basis, volumes were 1.9 per cent higher than in August-October 2012.
- In contrast, the results from the DHL/BCC *Trade Confidence Index* for the second quarter of 2013 showed that exporters' confidence about future turnover and profitability is at its highest level since 2007. The index stayed positive, indicating sustained growth, coupled with strengthening export demand.
- Manufacturing activity edged upwards quarter-on-quarter in three months to September 2013, albeit by less than one per cent, although growth was down on the same period of 2012. October saw production and new orders both rise at rates above their respective long-run averages. The domestic market remained a prime source of new contract wins, while growth of new export business accelerated on the back of improving global market conditions.

FACTORIES AND WAREHOUSES OUTPUT



Source: ONS.

- The eCustomerServiceIndex in September was up 20 per cent year-on-year, and 13 per cent on the previous month. It was the steepest monthly rise between August and September in the 13-year history of the index. The average value of each basket was at the highest level for fifteen months.

VALUE OF NEW INDUSTRIAL ORDERS OBTAINED BY CONTRACTORS

				£ million current prices
	Factories	Warehouses	Oil, Steel & Coal	**Total Industrial**
2008	2409	1707	231	4346
2009	1560	989	104	2653
2010	1031	887	214	2131
2011	1118	802	225	2146
2012	1568	841	250	2659
2012 Q1	371	336	71	778
Q2	404	151	23	578
Q3	445	195	94	734
Q4	348	159	62	569
2013 Q1	380	181	65	627
Q2	459	289	1	750
Q3	530	432	30	992

Source: ONS.

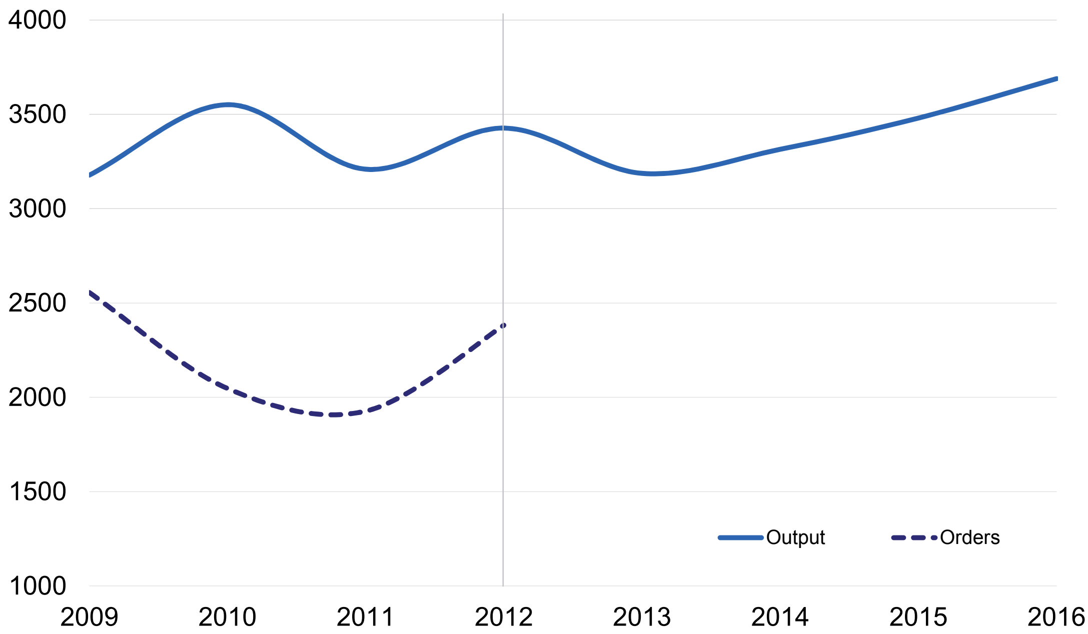
- According to the Jones Lang LaSalle's *The UK Big Box Industrial and Logistics Market,* the demand for Grade A units of 100,000 square feet and over, incorporating new and high quality second hand space was twice as high in the first half of 2013 as it was in the corresponding period of 2012. Take-up was also higher in the first half of 2013, doubling in value compared with the same period of 2012. Looking at the supply side, availability of Grade A units fell in the first six months of 2013, across both new and good quality second-hand space.

Outlook

- The indicators for the sector as a whole remain mixed, both on the domestic and export side. While economic conditions have been improving, real disposable incomes remain under pressure and this could dampen strong consumer spending growth going forward. Furthermore the Eurozone continues to post anaemic growth, hampering export growth to our major trading partners, although opportunities exist further afield.

- However, the continuing growth in online retailing plus the development of new and improved transport hubs should provide a platform for increasing investment in distribution and logistics facilities. Therefore, for the industrial construction sector as a whole moderate growth is projected for the 2014 to 2016 period as the economy improves and life comes back to the distributions and logistics market.

PRIVATE INDUSRIAL ORDERS (2005 PRICES, £M) AND OUTPUT (2010 PRICES, £M)



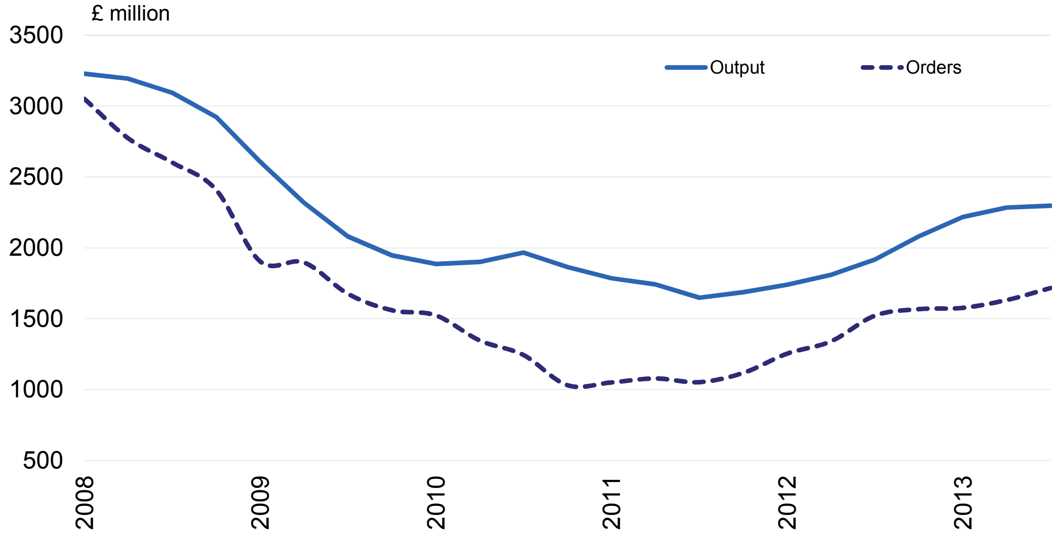
Source: ONS and Experian.

6.2 FACTORIES

Output & orders

- Output in the factories sub-sector grew by 23 per cent to just over £2bn (current prices) in 2012. In the first three quarters of 2013 it totalled £1.7bn, 15 per cent above the corresponding figure for 2012.The four-quarter moving total was also positive, ticking for the ninth straight quarter.
- New orders for factories leapt up in 2012 by 40 per cent to £1.6bn (in current prices) on an annual basis. However, they were still only half their level in 2005.
- The positive trend continued in the first three quarters of 2013, as new orders rose 12 per cent to £1.4bn, in comparison to the same period of 2012.The four-quarter moving total was at its highest level since the second quarter of 2009.

FACTORIES ORDERS AND OUTPUT
4 Quarter Moving Totals



Source: ONS.

Drivers

- According to Markit/CIPS, the UK manufacturing PMI index reached 58.4 in November, up from the October reading of 56.5 and the highest level since February 2011. The figures show new export business increasing to a 32-month high, signalling that the UK is capitalising on global market opportunities. There is also been a strengthening in domestic markets, in line with improving economic sentiment. This should allow UK manufacturing to stand out compared to other leading nations, as indicated by the top spot in global PMI rankings.
- According to the latest Confederation of Business Industry (CBI) *Industrial Trends Survey,* manufacturers continue to expect strong output growth for the next three months. The survey, which consists of 404 firms, found that manufacturing recovery continued to gather pace, with new orders rising to their highest level since the financial crisis. Meanwhile output growth for the three months to September rose to its highest level since August 2011. Further significant output growth is forecast for the next three months.
- The North York Moors National Park Authority has received a planning application from York Potash for the development of a new potash mine near Whitby. The plans outline the requirement for two deep mine shafts with associated developments. Once in place the site should extract up to 20 million tonnes of polyhalite per annum. The facility will also house a number of peripheral buildings such as a mine rescue building, workshop, welfare facility, and a visitor centre. The project has come under some scrutiny for its negative impact on the land and local fauna, although should permission be granted the cost of the project will be £3bn with work expected to start in late 2014 at the earliest and run for three years.
- Outline plans have been granted for a wind turbine factory in Kingston upon Hull. The scheme comprises of the development of land around Alexandra Dock, including the demolition of buildings to make way for a new factory which is expected to be somewhere between 12,500 square metres and 26,000 square metres, with an accompanying office block of around 3,000 square metres. Work on the £220m site is scheduled to commence in 2014 and run for three years.

- Work is soon to commence on a new factory/distribution centre in Wakefield, West Yorkshire. Haribo Dunhills Ltd has been appointed as the contractor for the £40 development which is expected to be completed by late 2015.
- Tenders have been returned for the construction of a new malt whiskey distillery in Highland, Scotland. Work on the £40m distillery was expected to have commenced by end 2013 and the site should be completed a year later.

Outlook

- Much of the recent growth in the sector has been driven by a small number large scale projects, predominantly within the automotive sector. Growth was strong in 2012 but is expected to have slowed to single digits last year. Looking forward we expect expansion in factory construction to slow to mid-single digits over the forecast period, but this should take the sector back to around its 2008 level in real terms.

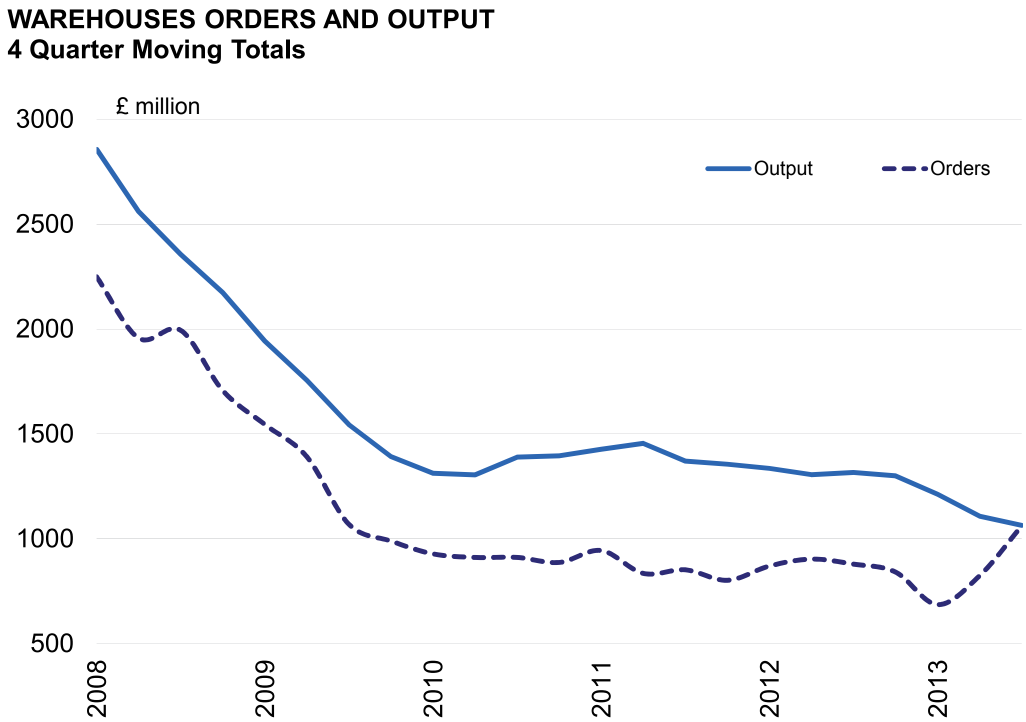
6.3 WAREHOUSES

Output & orders

- Output in the warehouse sub-sector fell by 4 per cent in 2012 to £1.3bn in current prices. Activity in the sub-sector has been in decline since reaching a record high in 2007.
- The downturn accelerated in the first three quarters of 2013, as activity fell 24 per cent to £761m, in comparison to the same period of the previous year. The four-quarter moving total was similarly bearish, slipping for the fourth consecutive period in the third quarter of last year.
- New orders for warehouses edged up by 5 per cent per cent in 2012, to £841m but they remained below the £1bn mark for the fourth consecutive year.
- The upturn strengthened in the first nine months of 2013, with new orders 32 per cent above their corresponding value for 2012, totalling £902m. After reaching a long-term low in the first quarter of 2013 the four-quarter moving total swung upwards strongly in the second and third quarter of the year, rising above the £1bn mark in the latter quarter, for the first time since the third quarter of 2009.

Drivers

- The Interactive Media in Retail Group's (IMRG) Capgemi e-Retail Sales Index reported a month-on-month growth rate of 30 per cent in November, the highest for 10 years, with monthly sales exceeding £10bn for the first time. The index was up by 20 per cent on a year earlier. Sales through mobile devices and tablets have rocketing by 81 per cent year-on-year, contributing strongly to the overall growth figures.
- Plans have been submitted for a distribution unit consisting of five warehouses in Peterborough. The scheme consists of 169,000 square metres of new space and also includes a large-scale car park and new access roads. Roxhill development Ltd is the chief contactor for the £140m site. Construction on-site is expected to have begun before the end of 2013 and work should be completed in two years.



Source: ONS.

- Plans have been put together for a large rail freight distribution warehouse in north-west Leicestershire. Should permission be granted work on site is set to commence in late 2014 and the facility should be completed in two years' time. The overall cost of the depot is expected to be in the region of £248m.
- Planning applications have been approved for a new business park in Aberdeen, consisting of offices and storage warehouses. Miller group has been awarded the £400m project which began in 2013and should run until 2023.
- Detailed plans have been granted for a new £60m distribution park in south Kesteven. The scheme comprises of a state-of-the-art distribution centre with its own dedicated junction off the A1. Construction was scheduled to have commenced in late 2013, and work should last a year.

Outlook

- New orders in the warehouses sector still remain well below their ten-year average, with little sign of turnaround. This has filtered into output which is currently at a 16-year low. Unsurprisingly activity is likely to have contracted sharply in 2013. However growth in online retail and its requirement for new distribution centres, coupled with a general economic recovery do provide potential for growth, and we expect the sector to begin a steady recovery in 2014 continuing through the forecast period. However, we still expect output in 2016 to be well below its 2006 peak.

7. Private commercial construction

PRIVATE COMMERCIAL CONSTRUCTION OUTPUT					Est.	Forecasts		
	2009	2010	2011	2012	2013	2014	2015	2016
£ million (2010 prices)	24053	23710	24296	21474	22333	23003	23923	25119
Annual % Change	*-24.3*	*-1.4*	*2.5*	*-11.6*	*4*	*3*	*4*	*5*

Source: ONS and Experian.

Commercial construction activity showed no growth in 2013 until the third quarter of the year when it put on a sudden spurt and took the four-quarter moving total up to £21.7bn, a 3 per cent increase on the previous quarter.

New orders have been quite buoyant in the first three quarters of 2013, up by 11 per cent in real terms, with strong growth in the offices, leisure and education sub-sectors.

Commercial construction output for 2013 as a whole is estimated to have risen by 4 per cent, largely driven by decent performances in the offices and education sub-sectors.

The concern on the economic front is that the strength of the recovery has been bolstered by government financing schemes to boost the housing market and consumers raiding savings and increasing debt, not a sustainable position in the longer term.

Thus, despite the recent bullish figures for the sector, we are erring on the cautious side and forecasting only moderate growth over the 2014 to 2016 period. While the prospects look good for office construction, with demand continuing to strengthen in London and speculative development returning to some of the regional centres, the prospects for the retail sub-sector are much more muted.

The prospects for the leisure sub-sector look a little better than for retail, with the likelihood of further expansion of hotel space and a number of museum, gallery, and small stadia projects in the pipeline. Should the proposed new theme park in north Kent go-ahead during the forecast period then the outturn for 2015 and 2016 could be better than currently forecast.

The office, retail and leisure sub-sectors no longer occupy quite the dominant position they once did in commercial construction, with sectors driven by public policy albeit privately financed – education, health and miscellaneous (largely defence) – now accounting for a third of output in the sector.

The fact that privately-financed activity in two of these three sectors – health and miscellaneous – is expected to fall fairly heavily over the forecast period is another reason for our relatively moderate prognosis for commercial construction as a whole.

7.1 SECTOR OVERVIEW

Output & orders

- New chain-linked figures from the Office for National Statistics show commercial construction output in 2012 totalling £21.5bn in 2010 prices, an 11.5 per cent fall on the previous year.
- In the first three quarters of 2013 output reached £16.49bn, a little over 1 per cent up compared with the same period of 2012. The four-quarter moving total suggests that the sector's nadir may have been reached in the second quarter of last year, with output in the third up 3 per cent quarter-on-quarter.
- There was substantial variation in sub-sector performance in the first three quarters of 2013, with the education, offices, garages and leisure ones showing good growth, the retail one largely flat, and falls in health and miscellaneous construction output.
- New orders fell to £11.8bn in 2005 prices in 2012, over 10 per cent down on the previous year, but in the first three quarters of last year they grew by 11 per cent to £9.74bn. On a four-quarter moving total basis after declining in the first quarter of 2013 new orders picked up in the following two to reach £12.78bn, their highest level since the first quarter of 2012.

PRIVATE COMMERCIAL ORDERS AND OUTPUT

	Orders		Output	
	£ million (2005 prices)	*% change y-on-y*	£ million (2010 prices)	*% change y-on-y*
2008	22440	*-24.3*	32116	*1.1*
2009	13286	*-40.8*	24053	*-25.1*
2010	14149	*6.5*	23710	*-1.4*
2011	13205	*-6.7*	24296	*2.5*
2012	11843	*-10.3*	21492	*-11.5*
2012 Q1	3336	*0.1*	5645	*-2.7*
Q2	2789	*-14.0*	5585	*-8.5*
Q3	2678	*-32.5*	5038	*-18.7*
Q4	3040	*14.3*	5224	*-15.6*
2013 Q1	3160	*-5.3*	5377	*-4.7*
Q2	3330	*19.4*	5375	*-3.8*
Q3	3249	*21.3*	5736	*13.9*

Source: ONS.

- Growth in new orders in the first three quarters of last year has been strongest in the education sub-sector as contracts under the Priority School Building Programme have started to be let, but they were also robust for office and leisure construction work. In contrast, new orders for the health and miscellaneous sub-sectors fell heavily.

Drivers

- The share of the 'big three' – offices, retail and leisure – in total commercial construction output dropped by 3 per cent in 2012 to 65 per cent, according to the revised output data. These sub-sectors long term relative decline – they accounted for 87 per cent of output in the sector in 1991 – has largely been due to the rise of private financing for public utilities, especially health and education, but also for prisons and defence construction work over the past three years. However, they still account for the lion's share of commercial construction activity.

VALUE OF NEW COMMERCIAL ORDERS OBTAINED BY CONTRACTORS								£ million current prices
	Schools, Universities	Health	Offices	Entertain-ment	Garages	Shops	Agriculture, Misc.	**Total Commercial**
2008	2015	2817	7702	3628	662	4708	1820	23353
2009	1411	1376	3315	2658	337	2967	822	12886
2010	1175	869	3628	2624	187	2872	2225	13580
2011	1412	797	3394	2419	245	2651	2087	13005
2012	1298	793	3203	2197	204	2499	1781	11973
2012 Q1	304	302	890	579	31	988	458	3550
Q2	377	235	810	452	47	556	356	2833
Q3	375	118	643	554	66	433	527	2716
Q4	242	138	860	612	60	522	440	2874
2013 Q1	521	122	913	532	80	676	433	3277
Q2	602	70	1110	685	24	907	77	3476
Q3	535	107	1141	897	35	568	80	3363

Source: ONS.

- Office, retail and leisure construction are driven in the main by the wider economic environment, corporate profitability and levels of consumer confidence and spending. Public capital investment, and the share delivered through PFI/PPP routes, is the primary driver of the health, education and miscellaneous sub-sectors.
- There is little doubt that we have seen a significant upswing in the UK economy over the course of 2013. Quarter-on-quarter GDP growth strengthened from 0.3 per cent in the first quarter to 0.7 per cent in the second and 0.8 per cent in the third, with construction providing a substantial contribution to the latter figure.
- Household consumption rose by 0.8 per cent in the third quarter, an eighth consecutive quarter-on-quarter increase. However, retail sales volumes were flat in the three months to October compared with the previous three months and recent reports suggest that growth in consumer confidence has weakened in the first half of the fourth quarter.
- Nevertheless, there was also favourable news on the investment front. Gross fixed investment increased by 1.4 per cent following a rise of 0.8 per cent in the previous quarter, confirming a recovery from depressed levels in 2012. Particularly encouraging was a revival in business investment, which increased by 1.4 per cent following a decrease of 2.7 per cent in the second quarter of last year.
- The CIPS/Market Services PMI has shown very strong growth in recent months, reaching 62.5 in October, its' highest level since May 1997. However, the strong increase does not as yet seem to be reflected in the ONS's Index of Services, and these two data series normally track reasonably closely.
- Consumer price inflation (CPI) eased in October to 2.2 per cent, from 2.7 per cent in September. This decline returned the annual rate to the level seen in September 2012, before a sharp rise in student tuition fees drove the rate up to 2.7 per cent, near which it has hovered for most of the past year. A further reduction to 2.1 per cent took place in November.
- The marked fall in the rate in October came largely from transport (notably motor fuels) and education, where developments in tuition fees operated in reverse to last year's effect. Service sector inflation fell sharply from 3.4 per cent in September to an exceptionally low 2.7 per cent, despite strong output gains in recent months. Sterling's modest appreciation against the dollar and the euro is also helping contain imported price pressures, important given recent net trade figures.

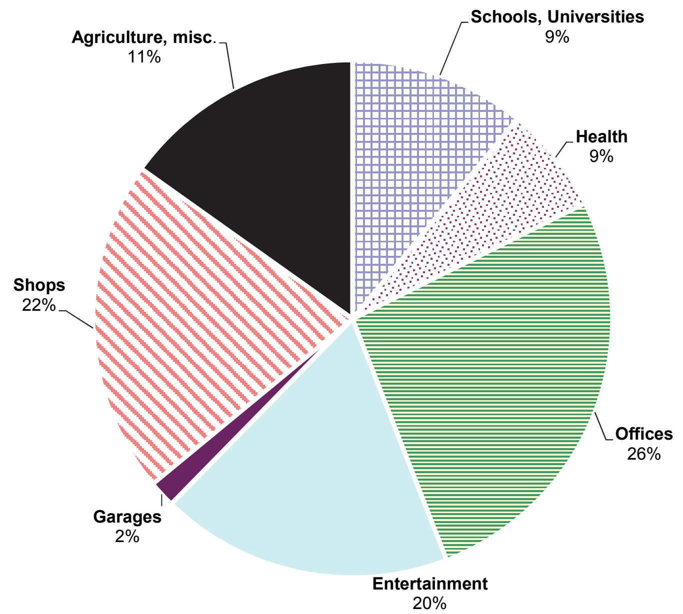
- However, despite the recent decline in CPI it is still running well ahead of annual earnings growth, which in the three months to September was at an annualised rate of 0.7 per cent. This suggests that household disposable incomes remain under pressure and could do so for some time yet.
- The labour market has generally been quite buoyant in recent months, with employment in the three months to September up 177,000 compared with the previous three month period. Almost 380,000 net new jobs have been added over the past year and the unemployment rate has fallen from 8.3 per cent at end-2011 to 7.6 per cent in the third quarter of 2013. However, these very positive trends overall disguise the fact that the number of people in part-time work because they could not find full-time employment continues to rise, by a further 24,000 in the three months to September. This, combined with the subdued earnings growth mentioned above suggests that there still remains weakness in the labour market.
- As of the end of November 2013, the FTSE100 share index stood at over 13 per cent above its level a year ago. However, it was 3 per cent below its previous peak on 22nd May and for all of November it has traded within a 6,600 to 6,800 range.

VALUE OF NEW COMMERCIAL OUTPUT BY CONTRACTORS								£ million current prices
	Schools, Universities	Health	Offices	Entertain-ment	Garages	Shops	Agriculture, Misc.	**Total Commercial**
2008	3338	4218	12634	5377	740	7384	1500	35189
2009	2656	2923	7802	4463	667	5508	1539	25557
2010	2212	2151	6234	4764	481	5235	2635	23710
2011	2236	1438	6347	4631	452	5409	3757	24272
2012	2459	1504	5952	4093	379	4693	3403	22484
2011 Q3	617	366	1668	1205	125	1440	1031	6453
Q4	656	366	1677	1201	125	1366	1015	6407
2012 Q1	566	337	1422	1008	97	1156	834	5420
Q2	620	391	1531	1049	94	1222	858	5766
Q3	635	391	1477	1001	91	1171	851	5618
Q4	638	385	1522	1035	97	1144	860	5680
2013 Q1	585	332	1464	980	102	1058	789	5310
Q2	662	297	1612	1055	105	1182	744	5656
Q3	825	278	1904	1272	110	1342	667	6397

Source: ONS.

- A recent announcement that could have both positive and negative effects on commercial construction activity is the Bank of England's intention to refocus the Funding for Lending Scheme away from the household sector and towards business. While the scheme seems to have been very successful in supporting mortgage lending, with a knock-on effect on unsecured household borrowing, lending to SMEs has continued to contract. The positive effect of this should be to provide more funding for business investment. The negative impact could be on consumer spending, which has been held up at least in part by the scheme despite falling real incomes.
- Looking at the commercial market generally, the Royal Institution of Chartered Surveyors' (RICS) *Commercial Market Survey* continued to show improving conditions during the course of 2013. Occupier demand has strengthened and availability fallen in recent quarters and rent expectations have turned positive for all sectors for the first time since mid-2007 and the balance of firms offering inducements has gone negative for the first time in six years. However, while surveyors are reporting higher development starts in the south of the country the picture still remains slightly negative in the north.

SHARE OF COMMERCIAL OUTPUT BY SUB SECTOR, 2012



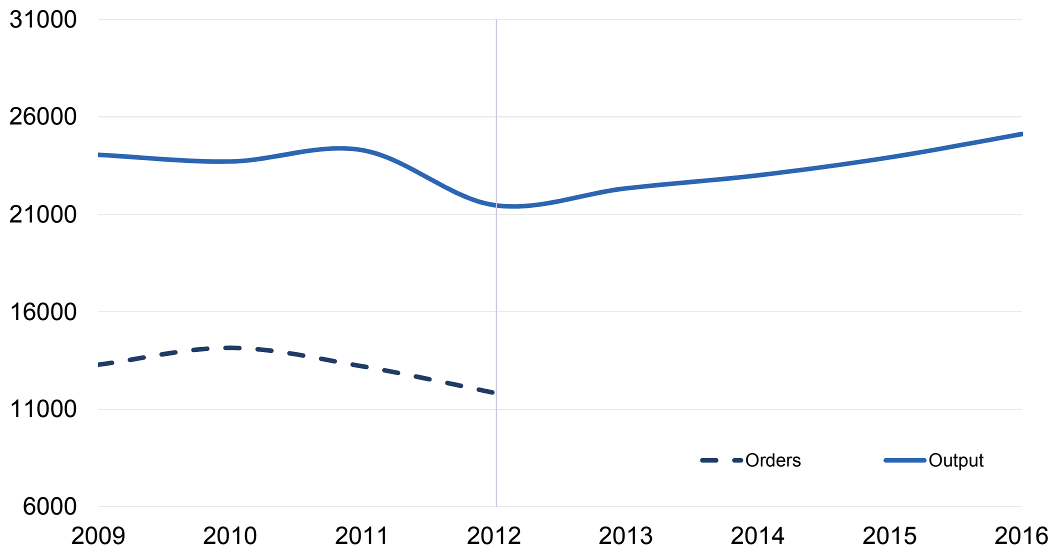
Source: ONS.

- RICS' *Construction Market Survey* is considerably more bullish. A positive balance of close to 40 per cent of respondents reported increasing workloads in the commercial construction sector in the third quarter of 2013, up from around 20 per cent in the previous quarter, and workload expectations over the next 12 months have reached their highest level since the series began for construction as a whole. However lack of finance still remains a major constraint on activity suggesting that lenders are still not opening their coffers to the extent the industry would like.
- Savills latest *Commercial Development Activity Report* supports the RICS view, showing activity growing at its fastest pace since March 2007. It is showing a balance of nearly +27 per cent in its index in August, up from around +21 per cent in July and the balance for future performance was equally as positive.

Outlook

- Despite the more robust economic performance and buoyant survey data we are erring on the cautious side on overall commercial construction output growth. We have been here before recently, with a return to growth in 2011 which then evaporated the following year. While the recovery seems to be based on more solid foundations this time, there are still concerns that some of its 'froth' is being fuelled by government sponsored funding schemes that have finite levels of financing and once this runs out housing market recovery and consumer spending growth could falter.
- Furthermore, the shift in the structure of the commercial construction sector means that growth in the 'big 3' – offices, retail and leisure - no longer has quite the effect that it used to. Education, health and miscellaneous (mostly believed to be defence work) now account for a third of output in the sector and we expect two out of three of these sub-sectors to experience sharp falls in activity in 2014 and 2015. Combine this with sluggish growth in the retail and leisure sub-sectors and we end up with a profile of only moderate expansion over the forecast period, with output growth of 3 per cent in 2014, strengthening to 4 per cent in the following year and 5 per cent in 2016.

COMMERCIAL ORDERS (2005 PRICE, £M) AND OUTPUT (2010 PRICES, £M)



Source: ONS, Experian.

7.2 OFFICES

Output & orders

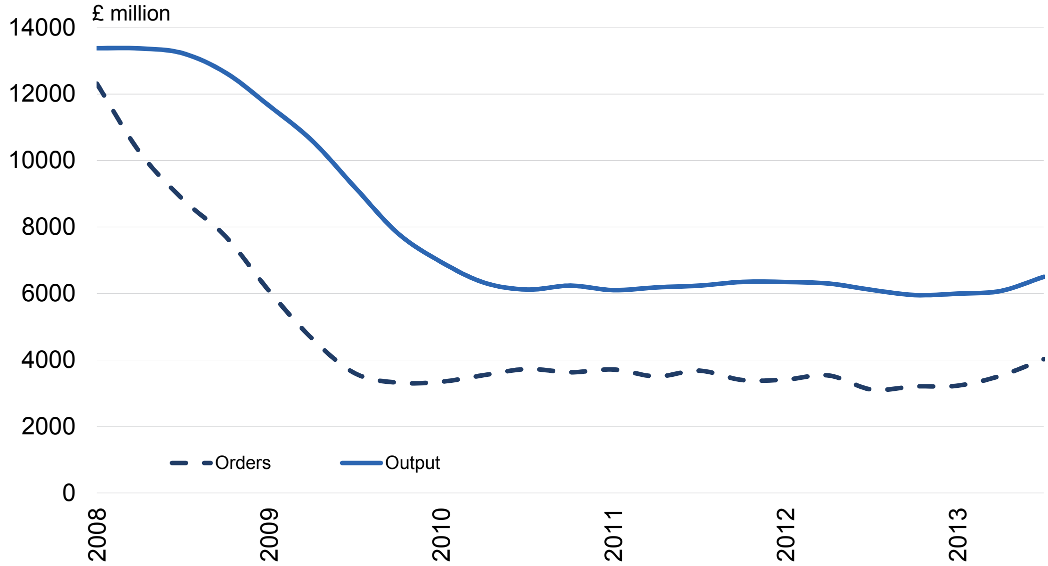
- Office construction output totalled £5.95bn in current prices in 2012, a 6.3 per cent fall on the previous year. In the first three quarters of 2013 it reached just under £5bn, a 12 per cent increase on the corresponding period of 2012. On a four-quarter moving total basis after only marginal increases in the first two quarters of the year, output surged by 7 per cent in the third quarter of 2013.
- New orders fell by 6 per cent to £3.2bn in current prices in 2012. They reached £3.16bn in the first three quarters of 2013, almost equalling the total for the whole of 2012 and 35 per cent up on the corresponding period of that year. On a four-quarter moving total basis new orders have been growing since the third quarter of 2012 and the rate of increase has been accelerating sharply.

Drivers

- The primary drivers of the offices market are the finance & insurance and professional & other private services sectors, although the information & communication one has played an increasing role in recent years, particularly in areas such as the Thames Valley.
- The finance & insurance sector suffered its fourth consecutive annual decline in 2012, with output falling by 0.6 per cent and it looks like contraction has continued in 2013. According to the ONS, output in the sector fell by 0.1 per cent in the third quarter of last year on a quarter-on-quarter basis and our estimation for 2013 as a whole is -1.2 per cent. However a return to growth, albeit relatively modest, is expected in 2014 (+1.1 per cent), strengthening to 3 per cent in 2015 and 3.5 per cent in the following year. By then the current crop of banking travails at the Royal Bank of Scotland and the Cooperative are assumed to have been largely resolved with the sector as a whole on a much sounder footing and hopefully some of the recent reputational damage repaired.

- In contrast the professional & other private services sector has been in much ruder health. Output grew by 3.7 per cent in 2012, a third consecutive year of expansion and rose by 2.6 per cent in the third quarter of 2013 compared with the previous one. The sector is expected to average around 3 per cent a year in output growth terms between 2013 and 2016.
- The information & communication sector is a much smaller sector of the economy than finance & insurance and professional & other private services, but it is growing fast. In 2000 it accounted for 4.7 per cent of output and this had risen to 6.5 per cent by 2012 and is expected to be 6.7 per cent by 2016. It was the fastest growing part of the economy between 2000 and 2012, averaging 4.2 per cent a year and it is expected to continue to outpace the other two sectors most relevant to the offices market over the 2013 to 2016 period.
- Recent workforce jobs data from the ONS show expansion in employment in both the information & communication and professional & other private services sectors to the second quarter of 2013, but continuing decline in the finance & insurance sector. Not surprisingly given our output prognosis, employment growth is expected to be strongest in the information & communication sector over the period 2014 to 2016 (+2.5 per cent year) than in the professional & private services (+2.1 per cent a year) or the finance & insurance sector (+1.9 per cent a year).

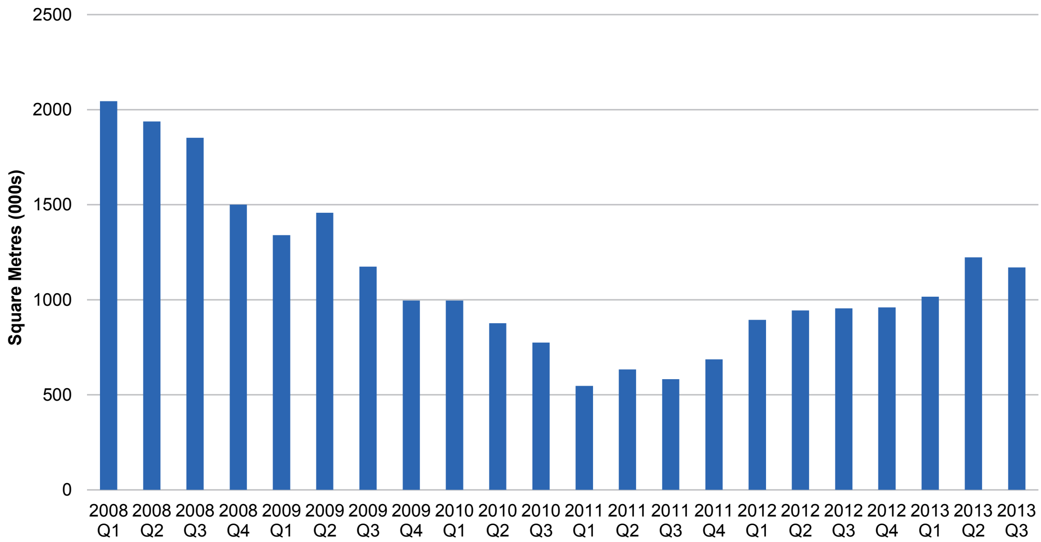
OFFICE CONSTRUCTION ORDERS AND OUTPUT
4 Quarter Moving Totals



Source: ONS.

- GVA's latest *Central London Offices Analysis* paints the most bullish picture it has done for some time. Take up rose to 3.2 million square feet in the third quarter of 2013, 24 per cent up on the previous one and the outturn for the first three quarters of 2013 already exceeds that of the whole of 2011 and 2012. Availability dropped markedly over the period, from 7 per cent in the second quarter of the year to 6.5 per cent in the third. Market tightening, combined with the improvement in economic conditions, is providing a boost to development, with 1.3 million square feet started in the third quarter of 2013, the largest scheme to begin being Land Securities' 480,000 square feet New Ludgate project. However, total floorspace under construction fell slightly between the second and third quarter, from 13.2 million square feet to 12.6 million square feet, although it was still 22 per cent up on a year ago.

CENTRAL LONDON OFFICE SPACE UNDER CONSTRUCTION



Source: GVA.

- British Land's committed London office development pipeline has dropped to 1.45 million square feet across four projects as of September 2013 compared with 2.1 million square feet in March as four projects under construction then have now completed. The three projects still under construction are at 5 Broadgate, the Leadenhall Building, at 39 Victoria Street and Broadgate Circle. British Land's prospective London development pipeline totalled just under 850,000 square feet, largely across two projects, the Shoreditch Estate and 100 Liverpool Street. The company's focus seems to have shifted of late more to mixed-use and retail development.
- Land Securities' London office development pipeline has changed little since the summer. Besides the New Ludgate scheme mentioned above, there are four other projects on site or in the pipeline, totalling just under 2.2 million square feet and largely due to complete by end 2016.
- According to GVA's latest *Big Nine* report for the third quarter of 2013, take-up across the nine main regional centres in 2013 is likely to be at its highest level for five years. Total take-up was 1.74 million square feet, with a particularly strong level in Newcastle compared with the five-year average. Rental value growth is on the up, as are total returns, although these are expected to peak in 2015 and subside slightly thereafter according to GVA. As the availability of Grade A space tightens, speculative development is tentatively returning to a number of regional markets, although the pattern remains patchy. Planning consent has recently been given for a 175,000 square feet development on a former Odeon cinema site in Manchester and a 195,000 square feet scheme in Central Square, Leeds, and prospective new developments are getting off the ground in both Bristol and Cardiff. British Land has also obtained planning consent for two office schemes in Milton Keynes, with a total floorspace of nearly 400,000 square feet.

Outlook

- Both Deloitte in its winter 2013 Crane Survey and GVA are predicting a high level of office space completed in 2014, of around 6.6 million square feet. However, a sizeable chunk of this space has been under construction for some time, thus it may not have as strong as effect on London office construction output as the headline figures might suggest. However it is undoubtedly true that the prospects for the market have improved markedly since six months ago.
- This is also true across the regions, although it is still the case that speculative development remains relatively thin on the ground and centre performance patchy. Thus our forecasts for office construction output growth remain steady rather than spectacular, with year-on-year expansion likely to be around the 7 per cent mark on average.

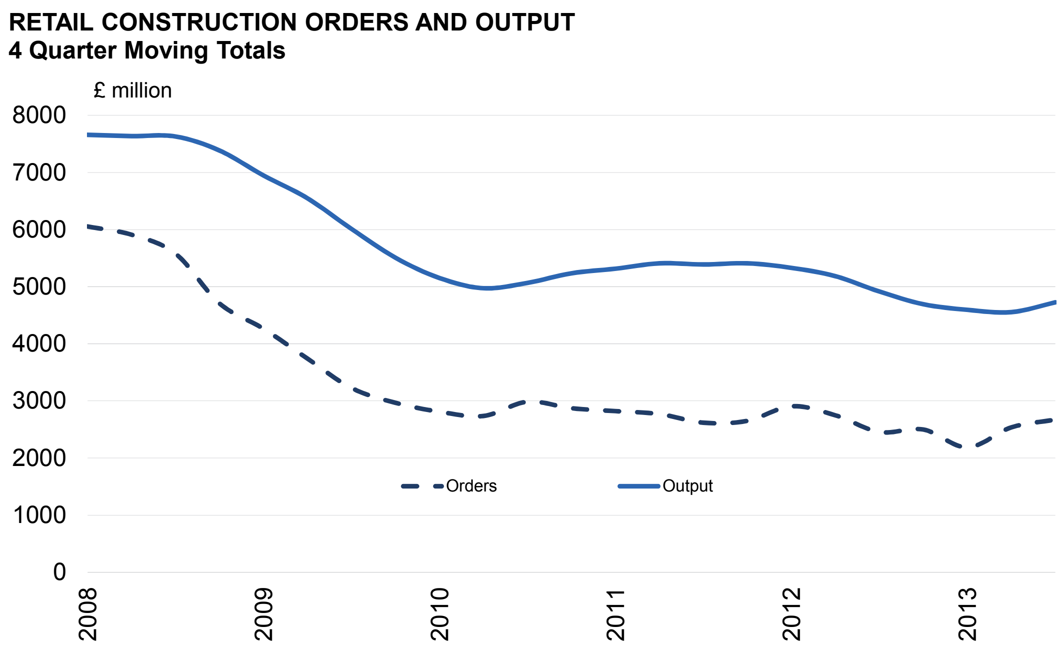
7.3 RETAIL

Output & orders

- Retail construction output dropped by over 13 per cent in 2012 to £4.69bn, its lowest level since 2001. Output in the sub-sector seems to have stabilised in the first three quarters of 2013, reaching £3.58bn, 1 per cent up on the same period of 2012. The four-quarter moving total shows output rising by 4 per cent in the third quarter of 2013 after six quarters of decline.
- New orders for retail construction totalled £2.5bn in current prices last year, 6 per cent below their level in 2011. In the first three quarters of 2013 they reached £2.15bn, 9 per cent up on the corresponding period of 2012. On a four-quarter moving total basis they grew strongly in the second and third quarter of last year.

Drivers

- Retail construction activity is driven by the health of the retail sector, which in turn depends on the level of consumer spending and the general state of the economy.
- The primary reason for the sizeable drop in the inflation figures in October from an annualised rate of 2.7 per cent to 2.2 per cent was the large hike in tuition fees coming out of the equation. Tuition fees, overall, rose by 8.2 per cent between September and October 2013, compared with a rise of 19.1 per cent between the same two months in 2012. The smaller impact was due to the fact that many students were already paying the higher rate of fees. In addition there were more modest price increases for part-time and postgraduate fees compared to last year. However, as these fees would only affect a relatively small proportion of the population at any one time, it is the underlying trend in items such as energy prices which will be of more concern to the bulk of consumers.
- Assuming that underlying levels of inflation are closer to the 2 per cent mark, this is still significantly above current levels of earnings growth, which have averaged 0.7 per cent in the three months to September compared with a year ago, and only 0.8 per cent over the same period if bonuses are excluded. Private sector pay has fared better than public, the former growing by 1.1 per cent over the same period, compared with a fall in the latter of 0.4 per cent.



Source: ONS.

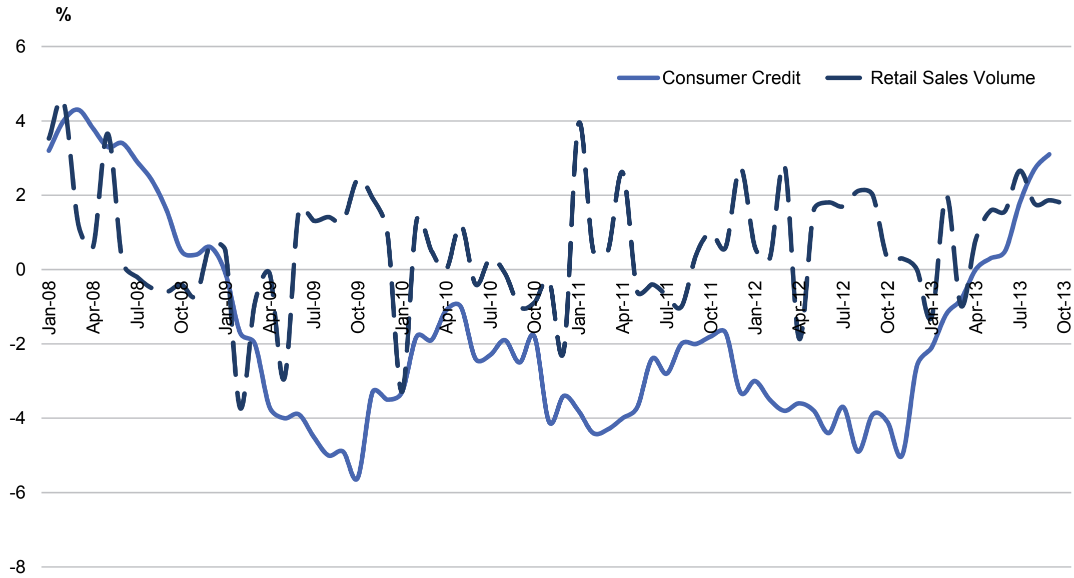
- It is increasingly looking like average earnings may only keep pace with inflation in 2014 and it could be 2015 before it overtakes inflation growth. Real household disposable income is likely to have fallen in 2013 and growth in 2014 will be anaemic at best. It is likely that we will see a drop in the savings ratio which will mitigate some of the effects of the earnings/inflation gap, but based on these figures consumer spending growth is expected to be sluggish over the next year or so.
- After some retrenchment in the first quarter of 2013, the labour market resumed its upward trend during the rest of the year. The unemployment rate has fallen from 7.8 per cent at the beginning of the year to 7.6 per cent in the third quarter of 2013. However, part-time working has continued to rise and stands at historically high levels and this will continue to impact on household incomes for some time to come.
- Retail sales growth seems to be slowing according to recent data from the ONS. The three-month comparison, which eliminates erratic monthly movements, showed that between May-July and August-October sales volumes were flat, following consistent expansion on this measure since March 2013. On the annual comparison, while volumes were 1.9 per cent higher than in August-October 2012, this was down from 2.1 per cent in the year to September.
- The weakness in retail sales volumes in August-October compared with the previous three months stems from a renewed decline in sales from predominantly food stores (-1.1 per cent quarter-on-quarter), a decline of 1.3 per cent in sales from household goods stores, which was unexpected given strengthening activity in the housing market, and a 1.7 per cent fall in automotive fuel sales.
- It remains to be seen whether the persistent gap between earnings growth and inflation (albeit narrower than in the past year) will offset employment buoyancy and higher confidence in the near term. On balance, we expect sales volumes to grow in the next few months, but at a more modest pace than in March-September as the squeeze on incomes reasserts itself. Thereafter, gradually easing inflation and stronger earnings growth as the recovery continues will underpin steady expansion near 2.5 per cent year-on-year in sales volumes.

- The British Retail Consortium (BRC) has recently been reporting a slide in footfall in the retail sector, and an accelerating trend downward. Footfall in August dropped by 0.9 per cent according to the BRC/Springboard indicator, followed by a 2.4 per cent fall in September and one of 2.9 per cent in October. Town centre vacancy rates remained at just over 11 per cent in October 2013, the same as in July.
- The IMRG/Capgemini index continues to show strong year-on-year growth in online sales, up 20 per cent in the year to November. Monthly online retail spending broke the £10bn barrier for the first time in November, driven in no small part by strong growth in purchases made from mobile devices.
- Six months ago major retail-led schemes were very thin on the ground. However, since then British Land in particular seems to have expanded its development pipeline. It now has six projects in its recently committed pipeline as of September 2013, totalling 520,000 square feet, the largest of which is the previously mentioned redevelopment of Hereford Livestock Market. British Land also has a 472,000 square feet prospective pipeline across five projects, plus a further two for which floorspace data are not yet available.
- According to Hammerson, construction is due to begin in spring 2014 on its £130m Victoria Gate scheme in Leeds, while work on the £500m development of Croydon town centre should start in 2015 and the £350m extension to Brent Cross shopping centre is scheduled to begin in the following year.

Outlook

- There is little doubt that conditions have improved for the retail sector over the course of 2013 and this has prompted developers to expand their development portfolios in recent months. However, household incomes are still under pressure, vacancy rates on the high street remain high and the requirement to maintain a high street presence continues to be eroded, much cheaper 'click and collect' outlets excepted. Any growth in output in 2013 is likely to have been marginal and our forecast is for only very moderate expansion over the three years to 2016.

ANNUAL GROWTH IN RETAIL SALES AND CONSUMER CREDIT



Source: ONS, Bank of England.

7.4 LEISURE

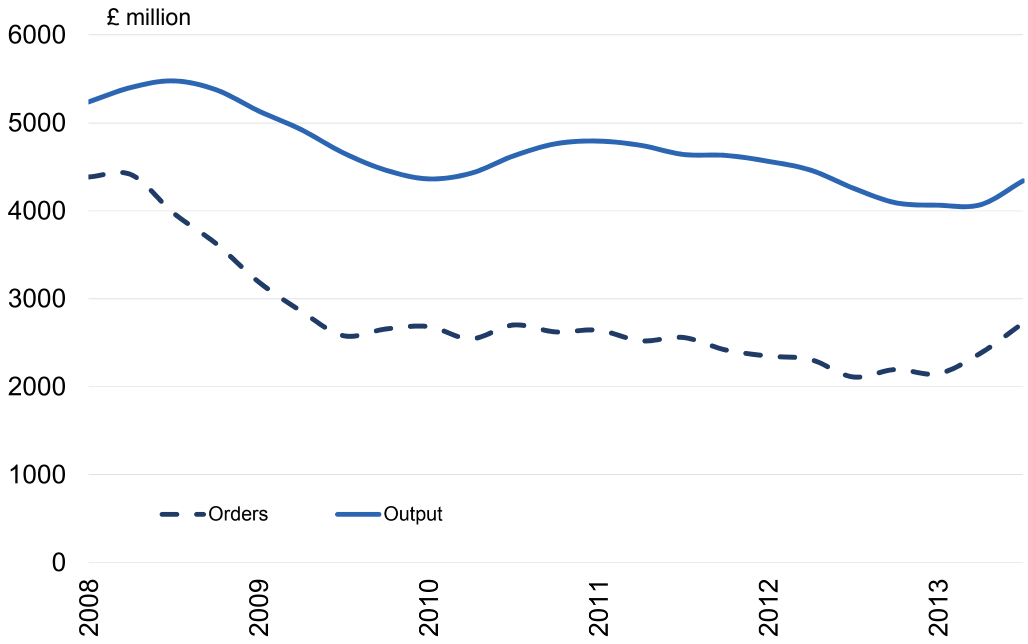
Output & orders

- Leisure construction output fell by 12 per cent in 2012 to £4.09bn in current prices. In the first three quarters of 2013 it reached £3.3bn, an 8 per cent rise on the corresponding period of 2012 Output in the first quarter of last year fell below £1bn for the first time since the third quarter of 2003, but by the third one it had picked up to over £1.2bn. On a four-quarter moving total basis output stabilised in the second quarter of last year after five quarters of decline and rose by 7 per cent in the third.
- New orders were down by 9 per cent in 2012 compared with 2011, at £2.2bn in current prices. In the first three quarters of 2013 they totalled £2.11bn, a third up on the same period of the previous year. On a four-quarter moving total basis new orders posted double-digit percentage increases in the second and third quarters of 2013 to their highest level since the second quarter of 2009.

Drivers

- Like the retail sub-sector, leisure construction is heavily reliant on the health or otherwise of consumer spending growth.
- After a slight downturn in 2012, consumer expenditure on recreational & cultural services is estimated to have risen by around 1 per cent in real terms in 2013. Given the fact that household incomes have continued to be under pressure and spending in this area is largely discretionary, the likelihood is that most of the growth has been due to tourism expenditure. Improving economic conditions should lead to an accelerating rate of growth over the forecast period, perhaps to close to 4 per cent by 2016.

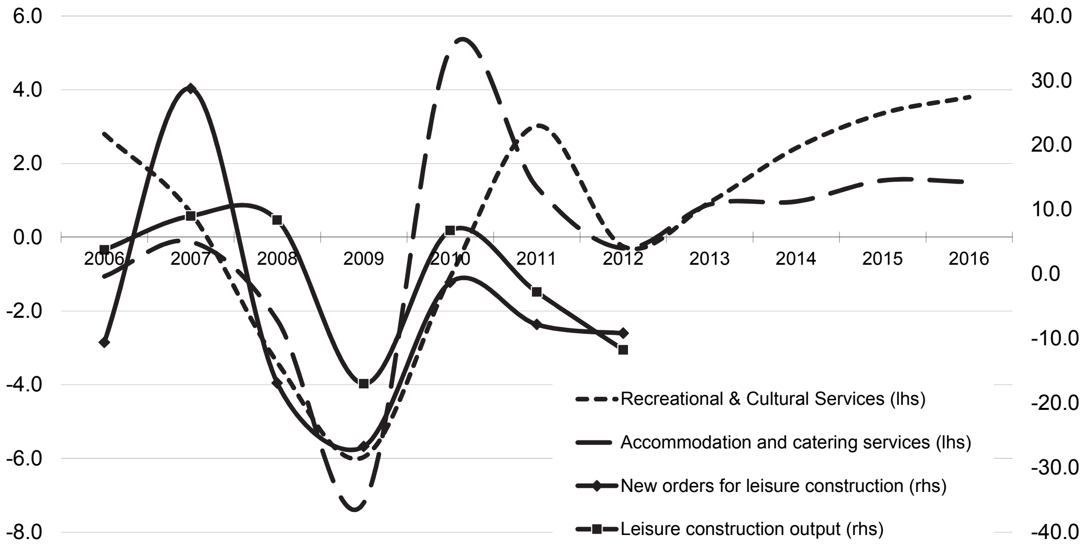
LEISURE CONSTRUCTION ORDERS AND OUTPUT
4 Quarter Moving Totals



Source: ONS.

- Expenditure on accommodation & catering also declined slightly in 2012 but is estimated to have picked up by around 1 per cent in 2013. The picture for this sector going forward is less buoyant than for recreational & cultural services, with year-on-year growth ranging between 1 per cent and 1.5 per cent over the forecast period.
- The chart below tracks consumer expenditure in these two sectors and leisure construction orders and output in current prices, and while they do not match exactly, the trends are similar.

GROWTH IN CONSUMER EXPENDITURE ON LEISURE ITEMS v LEISURE CONSTRUCTION



Source: ONS, Experian.

- Savills latest UK Hotel Investment report indicates an improving market, with both annual gross operating profit per available room (GOPPAR) and revenue per available room (RevPAR) rising, with a return to growth expected soon in London after its post-Olympic hangover. Overseas visitors actually fell during the Olympics, but a 3.7 per cent growth was seen in the first half of 2013 compared with the same period of 2012. However, there are concerns about how the budget sector in London will fare given its large increase in new beds in the run-up to the Olympics, much of which was in peripheral locations. Savills also reports on the rise of a new concept of the ‘pod’ hotel, one of the main exponents of which is Dutch hotel brand CitizenM, which has recently opened a boutique hotel on Bankside and is developing another site in Shoreditch. Following on from this, Whitebread has launched its Premier Inn ‘hub’ brand, under which it has a committed pipeline of five developments to open between 2014 and 2016, all in London. Whitebread is looking to open around 40 new ‘hub’ hotels, totalling 6,000 beds, by 2018.
- Work has started on the reconfiguration of Watford football stadium, with the demolition of two old stands to be replaced with a new one, as has activity on a new grandstand for Plymouth Football Club. Work has also begun on the conversion of the Olympic Stadium for use by West Ham Football Club, with construction of the new roof to begin in spring 2014. The total cost of the project has now been estimated at £200m. A new masterplan for the redevelopment of Lords Cricket Ground was unveiled in the summer of 2013, with work commencing on the Warner Stand in autumn 2014. However, the £200m redevelopment is now to be phased over 10 years, thus its year-on-year impact on leisure construction output will be small.

- In addition to the developments at the Tate Modern, Science Museum, the V&A, and Imperial War Museum mentioned in our summer report, there is now a proposal for an extension to the Royal College of Arts, which could begin in 2015 and further works regenerating the Southbank Centre, which are currently planned to start early in 2014.

Outlook

- Rather like the retail construction sub-sector, the prognosis for leisure construction is a little brighter than it was in the summer, but it is still not particularly strong. Output is estimated to be nearly 20 per cent below its 2008 peak in 2013 in real terms and after a flat year in 2014, modest growth is projected for the following two years. While the possibilities for new hotel construction still look positive, there is not enough in the stadia pipeline to suggest that this area will be driving forward leisure construction growth.
- However, if Paramount Park, the proposed £2bn Disney-style theme park on the Swanscombe peninsula in north Kent, were to get the go-ahead and start on site towards the end of the forecast period, then the prospects for output in 2015 and 2016 could be much brighter.

7.5 HEALTH & EDUCATION

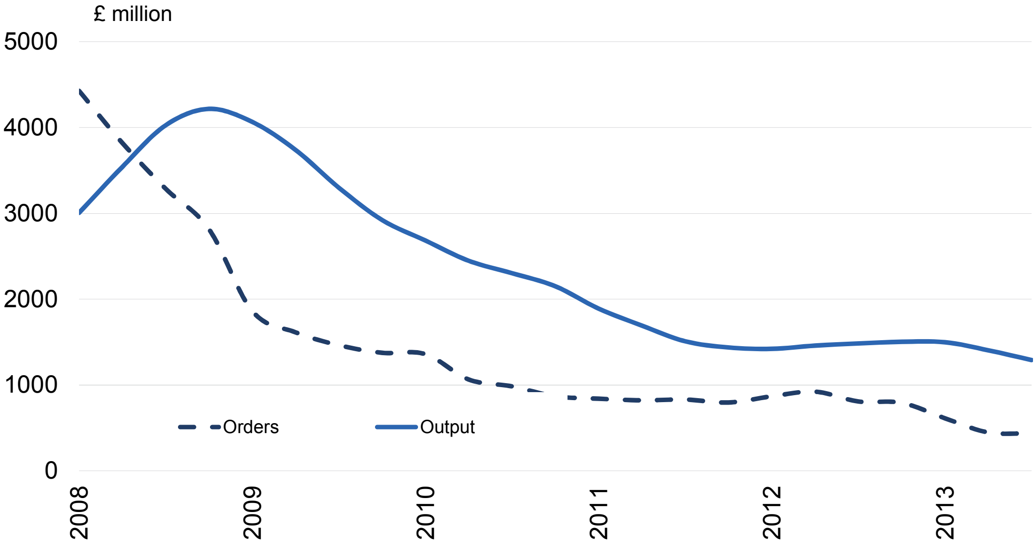
Output & orders

- Health construction output rose by over 4 per cent to £1.5bn in current prices in 2012. However, the upward trend was short-lived with output falling by 19 per cent to £907m in the first three quarters of last year compared with the corresponding period of 2012. On a four-quarter moving total basis the trend has been downwards for the past two quarters.
- New orders for the health sub-sector were largely flat in 2012, but they have fallen off substantially in the first three quarters of last year, reaching only £299m, 54 per cent down compared with the same period of 2012. Not surprisingly the trend in the four-quarter moving total has been heavily downward in recent quarters.
- Education construction output also increased in 2012, by 10 per cent to £2.46bn in current prices. However, unlike the health sub-sector, output has continued on its upward trend in the first three quarters of 2013, reaching £2.07bn, 14 per cent higher than in the corresponding period of 2012. On a four-quarter moving total basis output has generally been on an upward trend since the fourth quarter of 2011.
- Despite the growth in output education new orders fell by 8 per cent in 2012 to £1.3bn in current prices. However, they have performed much better in the first three quarters of 2013, up by 57 per cent compared with the corresponding period of 2012, to £1.66bn. On a four-quarter moving total basis new orders have rising strongly in each of the first three quarters of last year.

Drivers

- Both the health and education sub-sectors benefitted very strongly in the early 2000s from the use of PFI/PPP procurement routes to help deliver government plans to substantially improve the condition of the stock either through new build or major refurbishment. However, in the case of the former, the new hospital building programme has largely been completed successfully, thus new projects in the pipeline have been declining for some time, while for the latter sub-sector, the cancellation of the BSF has proved a blow.

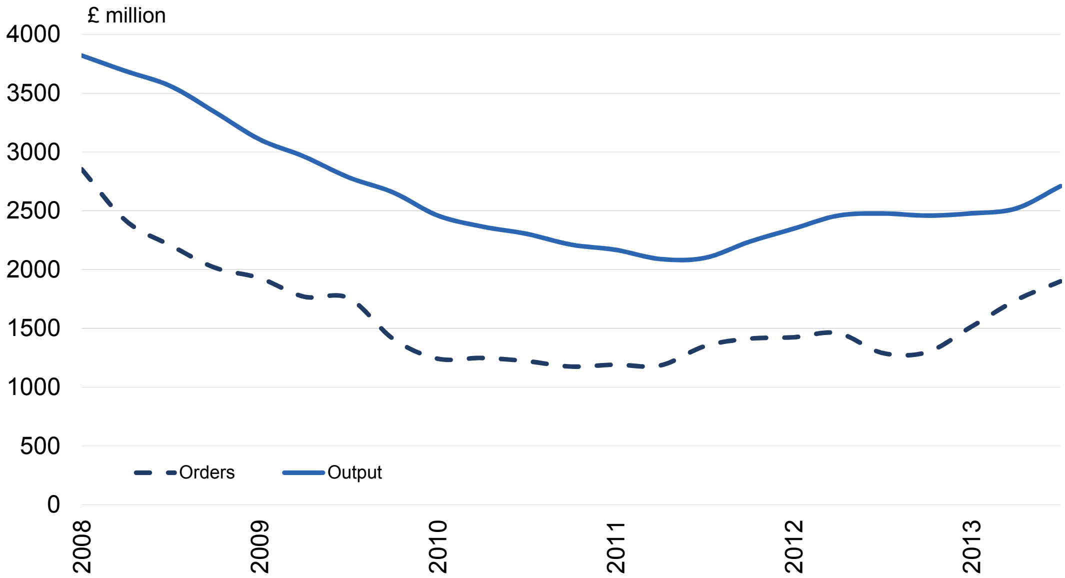
HEALTH CONSTRUCTION ORDERS AND OUTPUT
4 Quarter Moving Totals



Source: ONS.

- The main private financing programme of works in the education sub-sector, the Priority School Building Programme (PSBR) is beginning to gather some steam. Some £211m of projects were allocated in October bringing the total value of PSBR projects with contractors now in place to £540m. The latest packages were the East 2 batch, worth £58m, the North East 2 batch worth £62m, the North West 3 batch at £52m, and the Midlands 3 batch at £39m. The two winners of these contracts were Interserve and Kier.
- There are still one or two laggards from the Building Schools for the Future (BSF) programme that have only recently reached financial close, specifically phase 3 of Wolverhampton programme of works, worth around £57m in total.

EDUCATION CONSTRUCTION ORDERS AND OUTPUT
4 Quarter Moving Totals



Source: ONS.

- On the health side, financial close on the Alder Hey redevelopment in Liverpool was reached in March 2013 with work on site on the £270m project starting soon after and due to complete in mid-2015. Work on the replacement of some buildings at the Royal National Orthopaedic hospital is due to start in May and Papworth Hospital's new cardiothoracic centre in September, but the redevelopment of the Royal Liverpool Hospital has now been reclassified to the public sector as most of the funding is now coming from the public purse.

Outlook

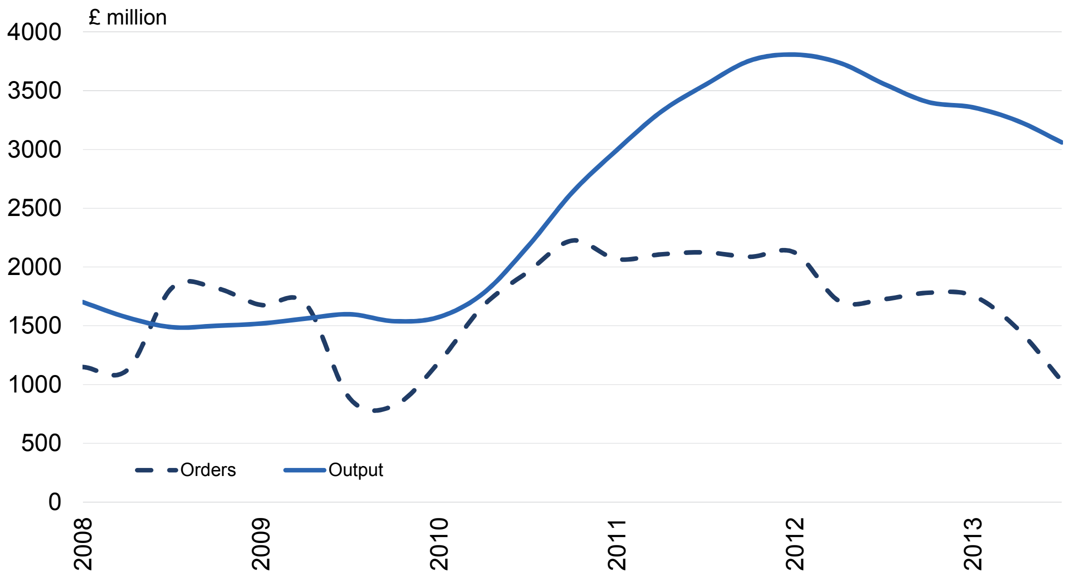
- Education construction output has been much more buoyant in 2013 than anticipated in the summer despite the fact that BSF 'legacy' projects are now largely completed and work on projects in the PSBR has only really started in recent months. It is still the case that levels of funding for education construction are significantly lower than in recent years, however gearing up of the PSBR means that some moderate growth should be experienced in the sector going forward.
- The health sub-sector in contrast has continued to fall from its 2008 peak although the decline in 2013 and the forecast one for 2014 will be much more moderate that in the 2009 to 2011 period. Post-2014 activity in the sector should stabilise and maybe show a little growth as by that time it will have fallen back to the levels last seen in the early 2000s, before the large new hospital building programme of previous Labour administrations really got going.

7.6 MISCELLANEOUS

Output & orders

- Miscellaneous output, believed to be driven largely by work for the Defence Infrastructure Organisation (DIO) fell by over 9 per cent in 2012, to £3.4bn in current prices. The downward trend continued in the first three quarters of 2013 with output dropping by over 13 per cent to £2.2bn compared with the corresponding period of 2012. On a four-quarter moving total basis output has been falling for the past six quarters.

MISCELLANEOUS CONSTRUCTION ORDERS AND OUTPUT
4 Quarter Moving Totals



Source: ONS.

- New orders also declined, by 15 per cent to £1.78bn in current prices in 2012. The decline has steepened substantially in the first three quarters of last year, with the level of new orders down by 56 per cent on the corresponding period of 2012 to just £590m. New orders dropped below £100m in both the second and third quarters of 2013 for the first time since the third quarter of 1996.

Drivers

- The miscellaneous sub-sector covers a heterogeneous set of structures, including agricultural buildings, exhibition spaces, churches and church halls, and privately-financed prisons and defence works. It is the latter of these types that is believed to make up the major part of the sub-sector and is likely to have been the main engine of growth in recent years.
- The Defence Infrastructure Organisation has been undertaking a major review of its procurement processes, *Next generation estate contracts* (NGEC). Under this programme procurement contracts will be let under the following headings:

  4 regional prime contracts delivering routine maintenance services:

  1. Scotland and Northern Ireland
  2. North of England, Wales, the Midlands and East Anglia
  3. South West England
  4. South East England

  One national and six regional capital works frameworks delivering construction projects, with the possibility of additional functional frameworks for single living accommodation (SLA) and airfield pavements

  A single-UK wide national housing prime contract delivering housing maintenance services across the UK

  A single UK wide national training estate prime contract delivering range technical support, hard facilities management (hard FM), soft facilities management (soft FM), and training range booking services
- The first framework was awarded in summer 2013, with the first prime contract to be awarded in early 2014. However, the indications have been that most new defence estate contracts will be procured through traditional publicly funded routes rather than a private finance route.

Outlook

- Miscellaneous output grew by almost 160 per cent between 2009 and 2011, believed to have been driven largely by defence work and in particular big privately-finance refurbishment programmes such as Allenby-Connaught. As this draws to a close and focus shifts back to a purely publicly-funded pattern of work, it is inevitable that miscellaneous output recorded in the private commercial sector is going to fall. The decline started in 2012 and is expected to continue to 2015 before activity levels stabilise.

8. Non-residential repair & maintenance

NON-RESIDENTIAL REPAIR AND MAINTENANCE OUTPUT								
					Est.		Forecasts	
	2009	2010	2011	2012	2013	2014	2015	2016
Public Non-residential								
£ million (2010 prices)	8653	5074	5002	4858	5004	5004	5054	5104
Annual % Change	*-2.2*		*-1.4*	*-2.9*	*3*	*0*	*1*	*1*
Private Non-residential								
£ million (2010 prices)	14179	8289	8873	9003	9003	9183	9458	9742
Annual % Change	*-14.5*		*7.0*	*1.5*	*0*	*2*	*3*	*3*
Infrastructure								
£ million (2010 prices)		6841	7680	7767	8078	8159	8240	8405
Annual % Change			*12.3*	*1.1*	*4*	*1*	*1*	*2*
TOTAL								
£ million (2010 prices)	22832	20204	21554	21628	22084	22345	22752	23251
Annual % Change	*-10.2*	*-11.5*	*6.7*	*0.3*	*2.1*	*1.2*	*1.8*	*2.2*

Note: Prior to 2010 infrastructure R&M was included in the public & private non-residential R&M statistics.

Source: ONS and Experian.

After a largely flat performance in 2012, total non-residential repair & maintenance (R&M) output is estimated to have grown by around 2 per cent last year with the infrastructure sector the most buoyant one.

Non-residential R&M output is projected to grow throughout the forecast period, although at a lower rate in 2014 and 2015 than in 2013, before returning to around 2 per cent expansion in the final year of the forecast period.

Growth is expected to be strongest in the private non-residential R&M sector as stronger economic performance and increases in asset values and profitability enable the holders of large property portfolios to spend more on maintenance.

Both the private and public non-residential R&M sectors are likely to continue to benefit from the drive to increased energy efficiency. It should not be forgotten that many of the retrofitting funding schemes, such as Green Deal, can be applied to non-residential buildings as well as housing.

Infrastructure R&M has grown strongly since it was identified separately in the output statistics and this trend is expected to continue over the forecast period, although at a lower rate, as recent damage to the road network in particular is made good.

8.1 PUBLIC NON-RESIDENTIAL REPAIR & MAINTENANCE

Output

- Public non-residential repair & maintenance (R&M) output fell by 2.9 per cent in 2012 to £4.86bn in 2010 prices, according to revised data from the ONS. Output reached £3.76bn in the first three quarters of 2013, 3 per cent higher than in the corresponding period 2012, with a particularly strong third quarter of the year. On a four-quarter moving total basis output increased in both the second and third quarters of last year after a year of decline.

Drivers

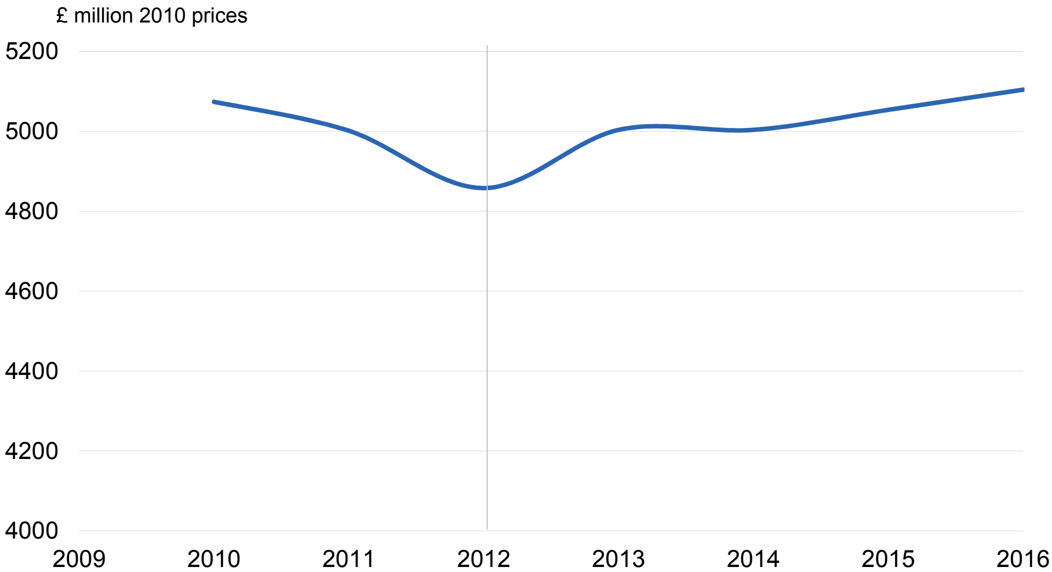
- Government spending drives this sector, but how this expenditure is shared out among the various sectors – health, education, offices, etc. – is very difficult to ascertain due to the lack of relevant data.
- The Education Funding Agency (EFA) has recently launched its 2014/15 Building Condition Improvement Fund (BCIF) and is inviting sixth form colleges to submit their applications for financing under the scheme by 14 February 2014.
- A two-year framework to retrofit public buildings across England commenced at the beginning of 2013. The framework is worth up to £500m and is expected to cover work on around 400 buildings.

PUBLIC NON-RESIDENTIAL REPAIR AND MAINTENANCE OUTPUT	£ million (2010 prices)	*% change y-on-y*
2010	5074	
2011	5002	*-1.4*
2012	4858	*-2.9*
2012 Q1	1255	*2.9*
Q2	1120	*-4.3*
Q3	1296	*-5.2*
Q4	1181	*-4.4*
2013 Q1	1228	*-2.2*
Q2	1184	*5.7*
Q3	1353	*4.4*

Source: ONS.

- Guys and St Thomas's NHS Trust have recently started a £200m refurbishment and minor works framework, which is due to last for four years. The framework will not only cover refurbishment work, which is classified under new work in construction output statistics for the non-residential sector, but will also include a significant maintenance element.

PUBLIC NON-RESIDENTIAL REPAIR AND MAINTENANCE OUTPUT



Source: ONS, Experian.

Outlook

- After declining in 2011 and 2012, public non-residential R&M output is estimated to have risen by 3 per cent in 2013. It is an underlying axiom of the R&M sectors that routine and cyclical maintenance can only be postponed for so long before becoming essential. Thus despite the fact that the public sector is still operating under stringent financial constraints, some very modest increase in activity is expected during the forecast period.

8.2 PRIVATE NON-RESIDENTIAL REPAIR & MAINTENANCE

Output

- Private non-residential R&M output reached £9bn in 2010 prices in 2012, a rise of 1.5 per cent on the previous year. Growth stalled in the first three quarters of 2013, with output for the period flat at £6.76bn compared with the same period of 2012. The four-quarter moving total fell in the first quarter of last year, rose in the second and was stable in the third.

PRIVATE NON-RESIDENTIAL REPAIR AND MAINTENANCE OUTPUT	£ million (2010 prices)	*% change y-on-y*
2010	8289	
2011	8873	*7.0*
2012	9003	*1.5*
2012 Q1	2286	*4.5*
Q2	2247	*3.4*
Q3	2368	*1.8*
Q4	2291	*0.8*
2013 Q1	2187	*-4.3*
Q2	2435	*8.4*
Q3	2541	*7.3*

Source: ONS.

Drivers

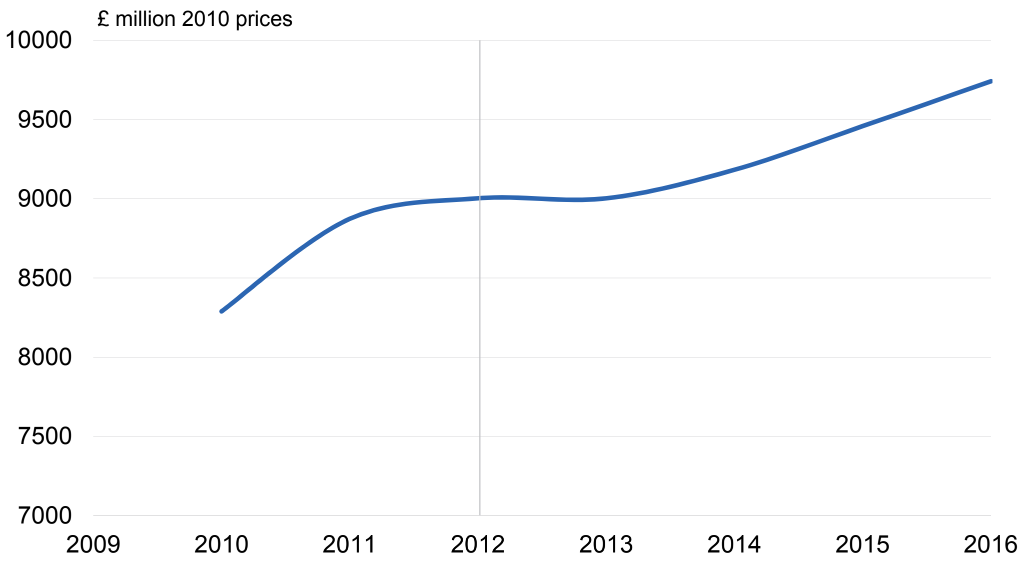
- Maintenance of shops and offices are the main drivers of this sector. However, little information is available to provide any sensible breakdown of expenditure in the sector. In particular, the requirement for big retail outlets to constantly refresh their offerings can be a major driver of activity in this sector.
- Tesco’s £1 billion investment plan to improve its core UK business and 'Build a Better Tesco' in the aftermath of poor sales performance continues, with 300 stores refreshed in the 2012/13 financial year.
- In November 2013 Sainsbury released the latest update on its ‘20/20 Sustainability Plan’, which includes, among many other targets, investment in renewable energy and water consumption reduction for its stores. As of that month, some 22MW of photovoltaics have been installed across 210 stores, as well as 74 biomass boilers and 12 geothermal ground source heat pumps. A further three heat pumps were expected to be installed by Christmas 2013, with 15 due this year. The company is also seeking to reduce in-store electricity consumption by the installation of systems such as LED lighting.

- On the water side Sainsbury reached its target of a 50 per cent reduction in relative water consumption against a 2005/06 baseline in March 2013 through water saving measures such as identifying and repairing leaks, installation of low-flush toilets, waterless urinals, and rainwater harvesting.

Outlook

- After two years of increase, growth in private non-residential R&M output stalled last year, despite the improving economic conditions. However, better growth across the economy and increases in asset values and profitability are expected to provide the basis for moderate expansion in activity over the forecast period.

PRIVATE NON-RESIDENTIAL REPAIR AND MAINTENANCE OUTPUT



Source: ONS, Experian.

8.3 INFRASTRUCTURE REPAIR & MAINTENANCE

Output

- Infrastructure output rose by 1.1 per cent in 2012, to £7.77bn in 2010 prices. It reached £6.07bn in the first three quarters of 2013, nearly 4 per cent up on the corresponding period of 2012. On a four-quarter moving total basis output ticked down in the second quarter of last year, but then rose by 3 per cent in the third.

Drivers

- The main areas of activity in this sector are believed to be road maintenance, both by the Highways Agency and local authorities, and expenditure by water and sewerage companies. Expenditure by Network Rail on rail maintenance should not appear in these figures as the work is done in-house and Network Rail is not classified as a construction company.

- According to the Highways Agency's 2013 Business Plan, maintenance on the existing motorway and trunk road network is due to remain static between 2013/14 and 2014/15 at approximately £270m.

- In the local roads maintenance arena, the biggest contract recently awarded is the Isle of Wight's 25-year framework, which went to Island Roads, a partnership established by the Isle of Wight Council, VINCI Concessions, Meridiam Investments and Ringway. The framework commenced in April 2013 and should be worth around £1.2bn over its lifetime. Other sizeable roads maintenance frameworks have recently been let in Hounslow, Herefordshire, and Nottingham.

INFRASTRUCTURE REPAIR AND MAINTENANCE OUTPUT

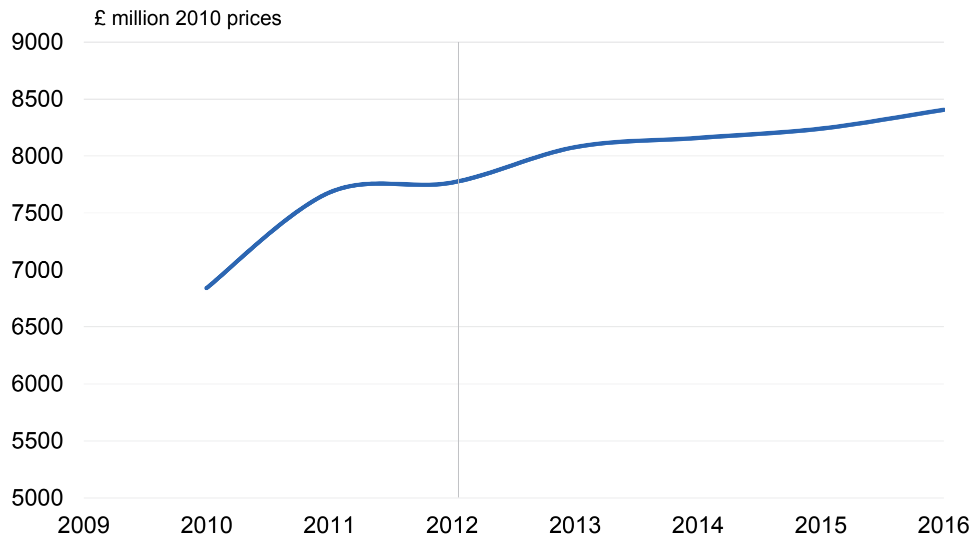
	£ million (2010 prices)	*% change y-on-y*
2010	6841	
2011	7680	*12.3*
2012	7767	*1.1*
2012 Q1	1956	*4.0*
Q2	2049	*9.7*
Q3	1914	*-7.4*
Q4	1890	*-2.6*
2013 Q1	1926	*-1.5*
Q2	1887	*-7.9*
Q3	2138	*11.7*

Source: ONS.

Outlook

- Six months ago it was felt that with so much focus on the requirements for new and improvements to infrastructure, the R&M sector would suffer as a result. However, this does not seem to have been the case, with an estimated rise in output of 4 per cent for 2013. Given that a substantial proportion of the local road network has fallen into disrepair in recent years, not least because of the return of relatively harsh winters, plus the ongoing requirements for water companies to reduce leakage rates, growth is now forecast to continue during the forecast period, although at a modest rate.

INFRASTRUCTURE REPAIR AND MAINTENANCE OUTPUT



Source: ONS, Experian.

APPENDIX A - Health and Education Output

TABLE A1: HEALTH AND EDUCATION ORDERS AND OUTPUT								
							£ million current prices	
	Health Orders	*annual % change*	Health Output	*annual % change*	*Education Orders*	*annual % change*	Education Output	*annual % change*
2004	4617	*71*	3813	*92*	6509	*37*	6013	*49*
2005	4029	*-13*	3500	*-8*	8424	*29*	6732	*12*
2006	6244	*55*	3498	*0*	8452	*0*	8167	*21*
2007	5073	*-19*	3882	*11*	9275	*10*	8079	*-1*
2008	5074	*0*	5883	*52*	9496	*2*	8704	*8*
2009	3735	*-26*	4927	*-16*	9210	*-3*	8910	*2*
2010	3312	*-11*	4604	*-7*	8722	*-5*	10013	*12*
2011	2128	*-36*	3446	*-25*	6408	*-27*	9833	*-2*
2012	2089	*-2*	3177	*-8*	5533	*-14*	8331	*-15*

Source: ONS.

TABLE A2: FORECAST HEALTH & EDUCATION GROWTH RATES								
					estimated annual % change in constant prices			
	2009	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*
Publicly funded education construction	*19*	*35*	*-2*	*-25*	*-10*	*-3*	*-1*	*0*
Privately funded education construction	*-18*	*-12*	*1*	*5*	*7*	*4*	*3*	*1*
All education construction	*5*	*21*	*-1*	*-19*	*-5*	*-1*	*1*	*0*
Publicly funded health construction	*23*	*32*	*-18*	*-20*	*10*	*4*	*-9*	*0*
Privately funded health construction	*-29*	*-22*	*-33*	*0*	*-6*	*-3*	*1*	*2*
All health construction	*-14*	*0*	*-25*	*-12*	*2*	*1*	*-5*	*1*

Note: public non-residential and private commercial deflators are applied to the current price health & education data to provide an estimate of constant prices

Source: Experian.

APPENDIX B

TABLE B.1: CONSTRUCTION OUTPUT IN CURRENT PRICES								
								£ million
								annual percentage change
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Public Housing	2251	2853	3480	3299	3326	4893	4924	4033
	2	*29*	*22*	*-5*	*1*	*47*	*1*	*-18*
Private Housing	20715	21766	22146	18139	12591	14839	16398	16253
	9	*5*	*2*	*-18*	*-31*	*18*	*11*	*-1*
Infrastructure	8241	8177	8642	9715	10738	13540	15320	14129
	0	*-1*	*6*	*12*	*11*	*26*	*13*	*-8*
Public Non-housing	8361	8047	8347	9988	11857	14372	13311	10797
	-3	*-4*	*4*	*20*	*19*	*21*	*-7*	*-19*
Private Industrial	5611	6308	6437	5338	3514	3551	3365	3724
	8	*12*	*2*	*-17*	*-34*	*1*	*-5*	*11*
Private Commercial	26325	30121	34405	35189	25557	23710	24272	22484
		18	*14*	*2*	*-27*	*-7*	*2*	*-7*
TOTAL NEW WORK	**71504**	**77272**	**83457**	**81667**	**67584**	**74905**	**77590**	**71421**
	4	*8*	*8*	*-2*	*-17*	*11*	*4*	*-8*
Repair and Maintenance	39988	41048	43605	46973	43495	42481	44147	44640
	6	*3*	*6*	*8*	*-7*	*-2*	*4*	*1*
Public R&M	*14686*	*14687*	*14324*	*16102*	*16048*	*12946*	*12272*	*12574*
	8	*0*	*-2*	*12*	*0*	*-19*	*-5*	*2*
Private R&M	*25303*	*26362*	*29283*	*30873*	*27448*	*22694*	*24118*	*24214*
	4	*4*	*11*	*5*	*-11*	*-17*	*6*	*0*
Infrastructure R&M	-	-	-	-	-	*6841*	*7754*	*7809*
	-	-	-	-	-	-	*13*	*1*
TOTAL ALL WORK	**111494**	**118319**	**127063**	**128640**	**111079**	**117385**	**121737**	**116060**
	5	*6*	*7*	*1*	*-14*	*6*	*4*	*-5*

Source: ONS.

TABLE B.2: CONSTRUCTION OUTPUT, QUARTERLY DATA														
	£m 2010 prices							£m current prices						
	2012				**2013**			**2012**				**2013**		
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**
Public Housing	1109	1015	1034	1037	1006	1109	1122	1011	1010	1016	997	901	1096	1106
Private Housing	4108	3905	3840	3976	3932	4311	4477	3871	4143	3996	4243	3737	4644	4753
Infrastructure	3250	3002	3333	3441	3332	3291	3315	3304	3314	3671	3840	3529	3748	3789
Public Non-residential	2840	2644	2533	2448	2344	2420	2476	2684	2675	2839	2598	2285	2532	2874
Private Industrial	812	842	847	925	858	802	759	848	916	947	1011	899	872	882
Private Commercial	5645	5585	5038	5224	5377	5375	5736	5420	5766	5618	5680	5310	5656	6397
TOTAL NEW WORK	**17763**	**16995**	**16625**	**17051**	**16850**	**17309**	**17886**	**17139**	**17823**	**18089**	**18370**	**16662**	**18550**	**19802**
Public Housing R&M	1772	1820	1867	1825	1781	1767	1731	1902	1798	1949	1962	1978	1793	1816
Private Housing R&M	3689	3435	3342	3288	3378	3528	3566	3663	3671	3806	3882	3473	3920	4119
Infrastructure R&M	1957	2069	1820	1934	2020	1964	2083	1956	2049	1914	1890	1926	1887	2138
Public Non-residential R&M	1255	1120	1296	1181	1228	1184	1353	1255	1108	1395	1205	1241	1231	1544
Private Non-residential R&M	2287	2272	2202	2248	2151	2369	2240	2286	2247	2368	2291	2187	2435	2541
TOTAL R&M	**10960**	**10716**	**10527**	**10477**	**10558**	**10811**	**10973**	**11068**	**10877**	**11451**	**11244**	**10794**	**11323**	**12308**
TOTAL ALL WORK	**28723**	**27711**	**27152**	**27528**	**27407**	**28120**	**28859**	**28207**	**28700**	**29539**	**29614**	**27457**	**29873**	**32110**

Source: ONS.

APPENDIX C

TABLE C.1: PUBLIC SECTOR HOUSING STARTS: BY REGION												
												number of dwellings
	NE	Y & H	EM	ET	SE	GL	SW	WM	NW	W	S	GB
2008	920	950	1910	3530	5330	6680	2540	1790	840	290	120	24570
2009	710	560	1270	2720	4060	5330	2720	1640	1220	850	5218	26798
2010	1420	1290	1350	3070	4120	7590	3540	1940	1240	990	5826	32226
2011	840	890	1220	2810	4760	7970	3460	1860	1560	-	4369	29729
2012	860	670	1740	1660	4140	5080	3380	1510	1180	-	3471	23761
2012 Q1	110	80	420	360	970	1190	770	370	270	-	792	5362
Q2	210	80	450	230	850	1170	1030	300	370	-	1662	5862
Q3	380	270	530	570	1120	1360	870	440	290	-	675	6335
Q4	160	240	340	500	1200	1360	710	400	250	-	342	6202
2013 Q1	140	280	200	720	960	1640	600	480	370	-	1124	6714
Q2	580	270	230	640	1160	1670	1080	600	620	-	548	6498
Q3	440	240	380	880	960	1290	1030	370	490	-	-	-

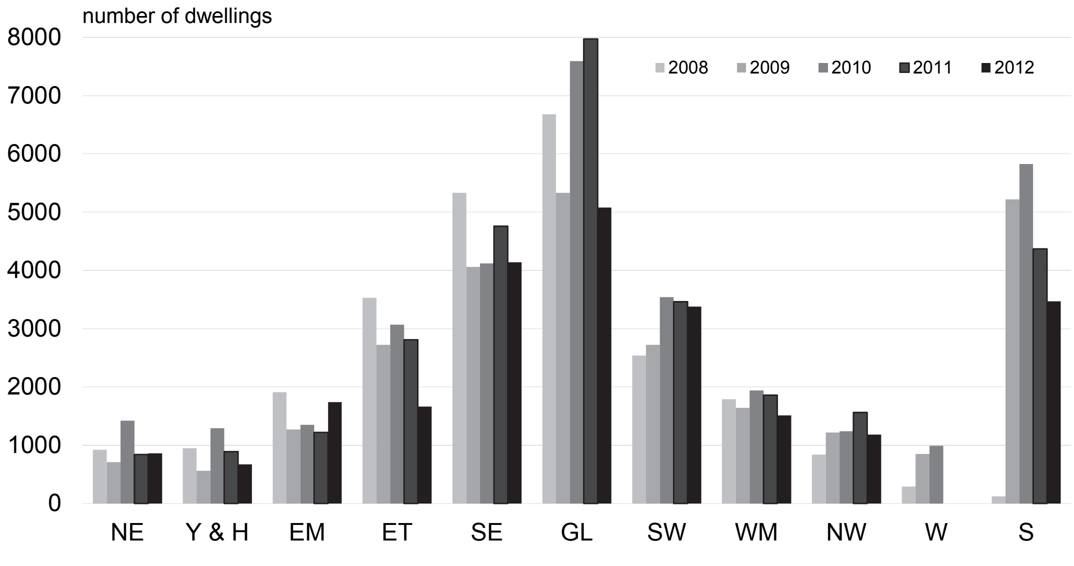
Note: from Q2 2011 the Welsh Government is no longer publishing housing starts by public/private tenure

Communiities and Local Government are no longer publishing starts and completions data at a regional level for England.

Aggregations of data at unitary level do not necessarily add up the the England total

Source: CLG, Scottish Government, Welsh Government

FIGURE C1: PUBLIC SECTOR HOUSING STARTS BY REGION



Source: CLG, Scottish Government, Welsh Government

TABLE C.2: PUBLIC HOUSING OUTPUT BY CONTRACTORS: BY REGION

£ million current prices

percentage of Great Britain

	NE	Y&H	EM	ET	GL	SE	SW	WM	NW	W	S	GB
2008	70	162	200	344	741	443	187	353	280	96	424	3299
	2	*5*	*6*	*10*	*22*	*13*	*6*	*11*	*8*	*3*	*13*	
2009	89	164	179	339	780	373	253	236	262	160	491	3326
	3	*5*	*5*	*10*	*23*	*11*	*8*	*7*	*8*	*5*	*15*	
2010	170	235	242	428	1256	598	344	367	401	185	664	4893
	3	*5*	*5*	*9*	*26*	*12*	*7*	*8*	*8*	*4*	*14*	
2011	140	315	197	348	1226	714	426	306	380	207	667	4924
	3	*6*	*4*	*7*	*25*	*15*	*9*	*6*	*8*	*4*	*14*	
2012	34	229	200	233	1036	570	361	378	360	166	464	4033
	3	*6*	*4*	*7*	*25*	*15*	*9*	*6*	*8*	*4*	*14*	
2012 Q1	12	69	43	65	251	150	96	77	84	42	120	1011
Q2	9	62	48	61	260	142	94	91	87	42	114	1010
Q3	6	54	54	57	263	139	90	102	94	43	115	1016
Q4	7	44	55	50	262	139	81	108	95	39	115	997
2013 Q1	9	32	47	43	258	131	66	99	85	32	98	901
Q2	23	37	52	50	345	157	71	110	107	36	109	1096
Q3	37	37	45	48	406	152	60	93	101	31	97	1106

Source: ONS.

TABLE C.3: PRIVATE SECTOR HOUSING STARTS: BY REGION

	NE	Y & H	EM	ET	SE	GL	SW	WM	NW	W	S	GB
2008	3510	7650	7190	10710	16320	10780	10330	6680	8420	5510	15640	103010
2009	2360	5190	5840	8250	14150	8880	8530	5720	4880	3910	9330	78700
2010	3510	8240	8370	11570	15950	10200	11310	6740	8350	4960	8897	98327
2011	3150	7250	8390	12570	15460	14220	11130	6250	8210	-	9800	102240
2012	3640	6580	6870	10370	13680	11160	10810	6680	9090	-	10157	94957
2012 Q1	1130	1690	1890	2660	3540	2610	2760	1850	2100	-	2668	24438
Q2	840	1700	1660	2240	3280	3530	2680	1520	2210	-	2920	22120
Q3	850	1720	1830	3260	3760	2720	3250	1830	2770	-	2093	24233
Q4	820	1470	1490	2210	3100	2300	2120	1480	2010	-	2476	24166
2013 Q1	1110	1630	1940	3020	4320	2870	2820	1760	2210	-	2415	26035
Q2	1260	2150	2570	3500	4890	3420	3310	2310	2790	-	2659	28149
Q3	1430	2530	2650	3850	4880	3970	3700	2430	3130	-	-	26380

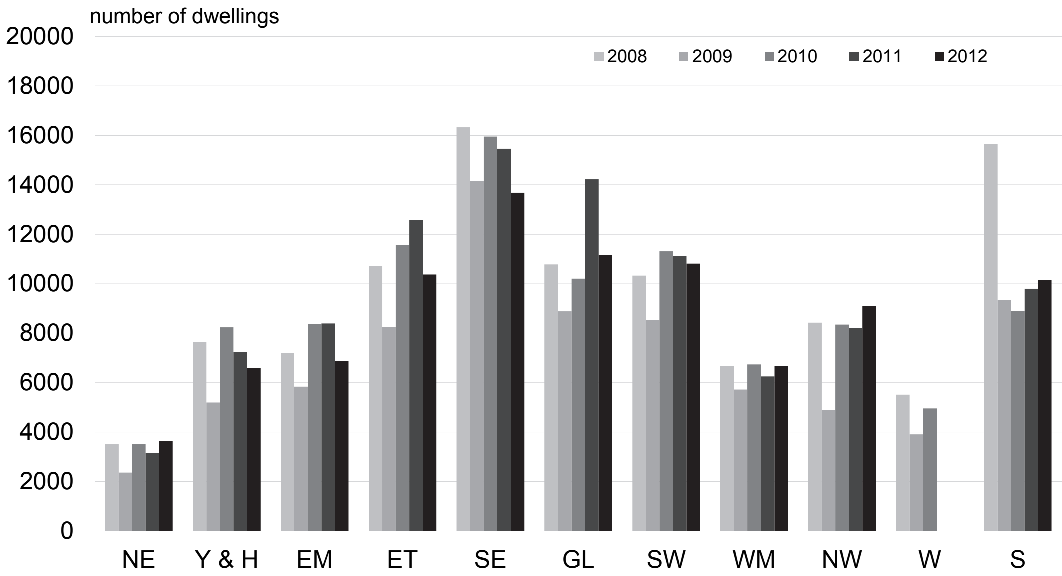
Note: from Q2 2011 the Welsh Government is no longer publishing housing starts by public/private tenure

Communiities and Local Government are no longer publishing starts and completions data at a regional level of England.

Aggregations of data at unitary level do not necessarily add up the the England total

Source: CLG, Scottish Government, Welsh Government

FIGURE C2: PRIVATE SECTOR HOUSING STARTS BY REGION



Source: CLG, Scottish Government, Welsh Government.

TABLE C.4: PRIVATE HOUSING OUTPUT BY CONTRACTORS: BY REGION

£ million current prices

percentage of Great Britain

	NE	Y&H	EM	ET	GL	SE	SW	WM	NW	W	S	GB
2008	913	1626	1540	1602	1611	2757	1920	1364	2045	708	2051	18138
	5	*9*	*8*	*9*	*9*	*15*	*11*	*8*	*11*	*4*	*11*	
2009	546	831	812	1223	1375	2209	1347	954	1262	463	1566	12591
	4	*7*	*6*	*10*	*11*	*18*	*11*	*8*	*10*	*4*	*12*	
2010	722	872	1040	1556	1856	2905	1669	1003	1102	622	1492	14839
	5	*6*	*7*	*10*	*13*	*20*	*11*	*7*	*7*	*4*	*10*	
2011	728	1003	1169	1709	2698	3196	1776	969	1016	734	1396	16398
	4	*6*	*7*	*10*	*16*	*19*	*11*	*6*	*6*	*4*	*9*	
2012	*563*	*1043*	*1016*	*1595*	*2980*	*3245*	*1816*	*986*	*1079*	*568*	*1336*	16253
	3	*6*	*6*	*10*	*18*	*20*	*11*	*6*	*7*	*3*	*8*	
2012 Q1	124	240	246	387	720	781	412	238	248	139	337	3871
Q2	131	264	259	403	775	837	455	252	271	143	353	4143
Q3	140	261	250	386	730	803	456	239	267	135	331	3996
Q4	168	278	261	419	755	824	493	257	293	151	345	4243
2013 Q1	156	259	224	371	642	694	446	245	263	148	288	3737
Q2	199	324	292	452	824	812	549	313	338	200	340	4644
Q3	187	334	340	451	903	771	554	335	358	195	326	4753

Note: There may be slight differences betw een the GB figures and the sum of the regions due to rounding.

Source: ONS.

APPENDIX D

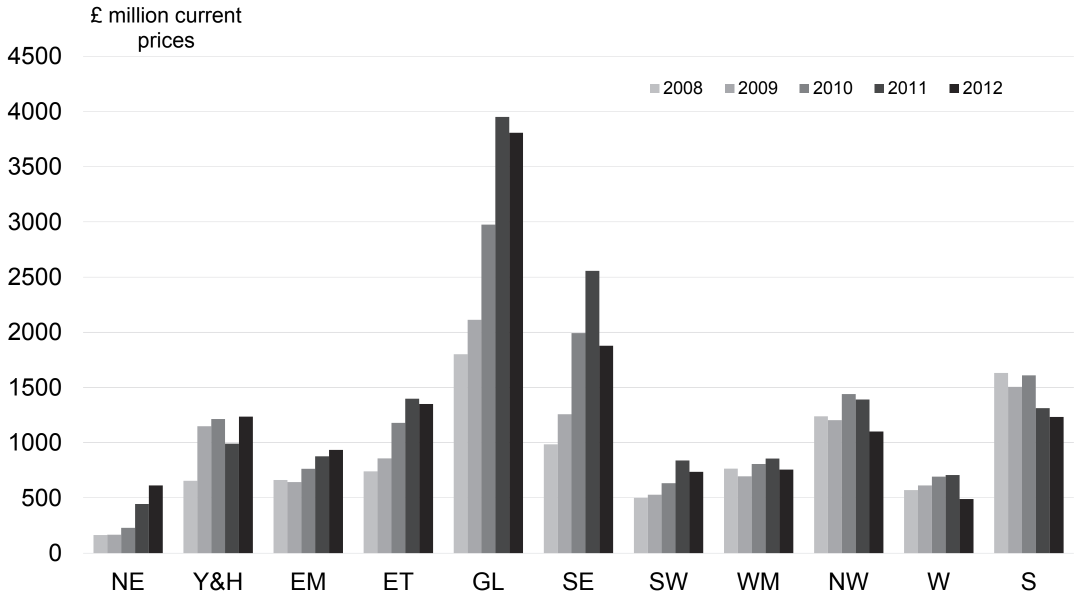
TABLE D.1: INFRASTRUCTURE ORDERS OBTAINED BY CONTRACTORS: BY REGION												£ million current prices *percentage of Great Britain*
	NE	Y&H	EM	ET	GL	SE	SW	WM	NW	W	S	GB
2008	85	289	413	1385	1610	534	326	559	1084	385	1224	7897
	1	*4*	*5*	*18*	*20*	*7*	*4*	*7*	*14*	*5*	*15*	
2009	86	1021	644	1523	2240	1317	315	929	1753	430	775	11032
	1	*9*	*6*	*14*	*20*	*12*	*3*	*8*	*16*	*4*	*7*	
2010	183	325	984	593	3223	1733	408	368	773	305	878	9774
	2	*3*	*10*	*6*	*33*	*18*	*4*	*4*	*8*	*3*	*9*	
2011	566	378	351	715	2808	1087	353	765	646	190	640	8499
	7	*4*	*4*	*8*	*33*	*13*	*4*	*9*	*8*	*2*	*8*	
2012	*140*	*1293*	*760*	*1263*	*3547*	*1265*	*485*	*675*	*1056*	*493*	*1529*	12510
	1	*10*	*6*	*10*	*28*	*10*	*4*	*5*	*8*	*4*	*12*	
2012 Q1	21	839	498	370	441	269	177	81	142	74	434	3347
Q2	25	102	79	254	325	177	112	406	164	98	198	1941
Q3	38	159	70	135	1113	425	85	83	208	92	273	2681
Q4	56	193	113	504	1668	394	111	105	542	229	624	4541
2013 Q1	88	124	72	145	440	222	98	173	209	96	355	2022
Q2	295	661	224	203	155	273	478	25	432	97	116	2958
Q3	45	260	50	360	444	270	84	23	464	214	761	2974

Source: ONS.

TABLE D.2: INFRASTRUCTURE OUTPUT BY CONTRACTORS: BY REGION												£ million current prices *percentage of Great Britain*
	NE	Y&H	EM	ET	GL	SE	SW	WM	NW	W	S	GB
2008	163	654	662	741	1801	986	501	766	1239	570	1632	9715
	2	*7*	*7*	*8*	*19*	*10*	*5*	*8*	*13*	*6*	*17*	
2009	167	1150	643	858	2113	1257	529	696	1205	614	1505	10738
	2	*11*	*6*	*8*	*20*	*12*	*5*	*6*	*11*	*6*	*14*	
2010	229	1214	764	1180	2975	1992	633	807	1441	693	1610	13540
	2	*9*	*6*	*9*	*22*	*15*	*5*	*6*	*11*	*5*	*12*	
2011	444	991	876	1397	3950	2556	838	857	1391	707	1314	15320
	3	*6*	*6*	*9*	*26*	*17*	*5*	*6*	*9*	*5*	*9*	
2012	613	1235	934	1350	3807	1877	736	756	1101	489	1232	14129
	4	*9*	*7*	*10*	*27*	*13*	*5*	*5*	*8*	*3*	*9*	
2012 Q1	151	252	211	304	916	481	180	158	264	120	266	3304
Q2	150	294	229	317	888	438	180	176	246	118	279	3314
Q3	158	337	246	348	994	470	189	208	277	123	321	3671
Q4	154	352	248	381	1009	488	187	214	314	128	366	3840
2013 Q1	135	319	215	359	896	440	166	199	309	119	372	3529
Q2	154	378	228	375	858	458	207	202	359	129	400	3748
Q3	157	401	215	381	787	447	223	184	404	142	449	3789

Source: ONS.

FIGURE D1: INFRASTRUCTURE OUTPUT BY CONTRACTORS BY REGION



Source: ONS.

APPENDIX E

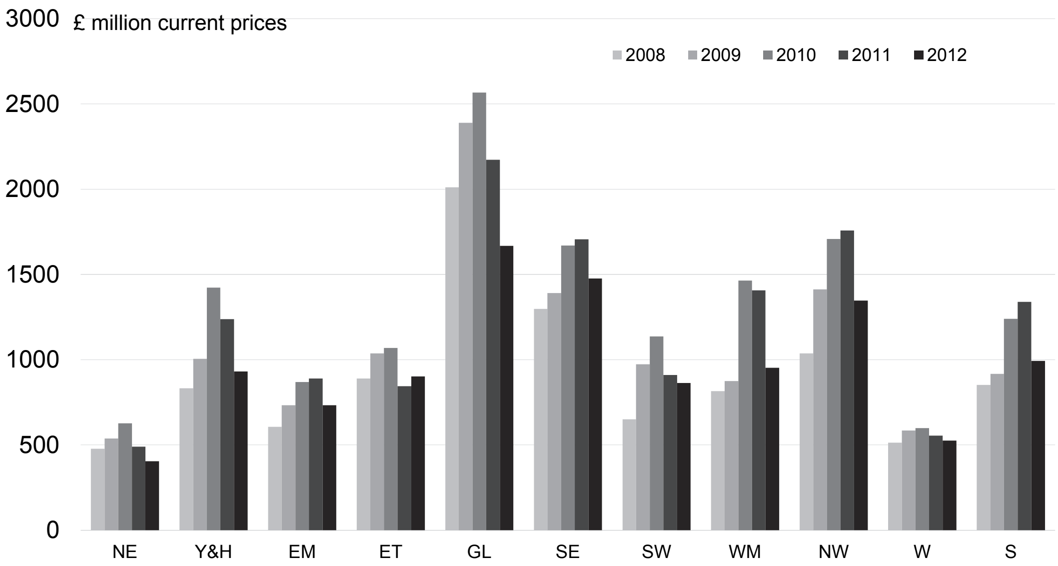
TABLE E.1: PUBLIC NON-RESIDENTIAL ORDERS OBTAINED BY CONTRACTORS: BY REGION												£ million current prices *percentage of Great Britain*
	NE	Y&H	EM	ET	GL	SE	SW	WM	NW	W	S	GB
2008	770	1051	856	1134	3859	1734	1048	1001	1480	693	1048	14671
	5	*7*	*6*	*8*	*26*	*12*	*7*	*7*	*10*	*5*	*7*	
2009	656	1727	965	1216	2560	1545	1159	1208	1945	567	1160	14709
	4	*12*	*7*	*8*	*17*	*11*	*8*	*8*	*13*	*4*	*8*	
2010	400	1226	750	1017	2279	1503	1375	1511	1549	484	1339	13430
	3	*9*	*6*	*8*	*17*	*11*	*10*	*11*	*12*	*4*	*10*	
2011	333	816	654	716	1370	1391	586	843	1206	379	770	9064
	4	*9*	*7*	*8*	*15*	*15*	*6*	*9*	*13*	*4*	*8*	
2012	*231*	*726*	*454*	*931*	*1081*	*1017*	*879*	*665*	*822*	*499*	*723*	8028
	3	*9*	*6*	*12*	*13*	*13*	*11*	*8*	*10*	*6*	*9*	
2012 Q1	84	75	115	209	237	236	183	84	222	166	98	1709
Q2	56	283	80	233	257	283	183	168	227	75	259	2103
Q3	59	178	151	209	273	237	316	165	215	126	199	2128
Q4	32	190	108	280	314	261	197	248	158	132	167	2088
2013 Q1	34	110	178	222	464	206	282	221	473	162	219	2572
Q2	69	128	124	286	306	155	77	129	494	189	253	2210
Q3	86	91	136	183	346	465	161	167	155	58	201	2048

Source: ONS.

TABLE E.2: PUBLIC NON-RESIDENTIAL OUTPUT BY CONTRACTORS: BY REGION												£ million current prices *percentage of Great Britain*
	NE	Y&H	EM	ET	GL	SE	SW	WM	NW	W	S	GB
2008	478	833	607	889	2011	1298	651	816	1037	513	852	9988
	5	*8*	*6*	*9*	*20*	*13*	*7*	*8*	*10*	*5*	*9*	
2009	538	1005	733	1037	2390	1391	973	874	1412	585	917	11857
	5	*8*	*6*	*9*	*20*	*12*	*8*	*7*	*12*	*5*	*8*	
2010	627	1423	869	1069	2566	1670	1137	1464	1708	599	1240	14372
	4	*10*	*6*	*7*	*18*	*12*	*8*	*10*	*12*	*4*	*9*	
2011	490	1238	889	844	2172	1706	911	1407	1757	555	1340	13311
	4	*9*	*7*	*6*	*16*	*13*	*7*	*11*	*13*	*4*	*10*	
2012	*405*	*931*	*733*	*902*	*1667*	*1477*	*864*	*953*	*1347*	*526*	*993*	10797
	4	*9*	*7*	*8*	*15*	*14*	*8*	*9*	*12*	*5*	*9*	
2012 Q1	102	232	195	187	431	366	189	252	359	119	252	2684
Q2	104	227	187	210	422	369	202	240	346	126	243	2675
Q3	108	244	188	249	431	392	236	243	347	142	259	2839
Q4	91	228	163	256	383	350	237	218	295	139	239	2598
2013 Q1	69	193	141	240	344	289	225	193	248	132	212	2285
Q2	66	200	155	280	387	294	248	213	292	159	239	2532
Q3	73	208	180	322	445	333	266	237	349	183	279	2874

Source: ONS.

FIGURE E1: PUBLIC NON-RESIDENTIAL OUTPUT BY REGION



Source: ONS.

APPENDIX F

TABLE F.1: PRIVATE INDUSTRIAL ORDERS BY CONTRACTORS: BY REGION

£ million current prices
percentage of Great Britain

	NE	Y&H	EM	ET	GL	SE	SW	WM	NW	W	S	GB
2008	312	514	366	303	362	637	332	347	680	159	333	4346
	7	*12*	*8*	*7*	*8*	*15*	*8*	*8*	*16*	*4*	*8*	
2009	116	312	261	209	103	372	258	218	342	236	226	2653
	4	*12*	*10*	*8*	*4*	*14*	*10*	*8*	*13*	*9*	*9*	
2010	105	205	210	150	176	180	255	169	275	74	333	2131
	5	*10*	*10*	*7*	*8*	*8*	*12*	*8*	*13*	*3*	*16*	
2011	145	148	294	177	196	285	144	202	186	73	296	2146
	7	*7*	*14*	*8*	*9*	*13*	*7*	*9*	*9*	*3*	*14*	
2012	*175*	*462*	*209*	*205*	*99*	*335*	*177*	*259*	*284*	*82*	*373*	2659
	7	*17*	*8*	*8*	*4*	*13*	*7*	*10*	*11*	*3*	*14*	
2012 Q1	100	258	38	49	26	78	35	69	41	26	58	778
Q2	7	93	54	45	25	150	26	34	57	24	62	578
Q3	57	41	77	72	14	44	85	51	90	22	182	734
Q4	11	70	40	39	34	63	31	105	96	10	71	569
2013 Q1	24	46	35	22	38	80	47	188	89	9	49	627
Q2	6	39	35	49	92	89	78	208	102	3	49	750
Q3	57	112	127	142	29	148	30	152	49	22	123	992

Source: ONS.

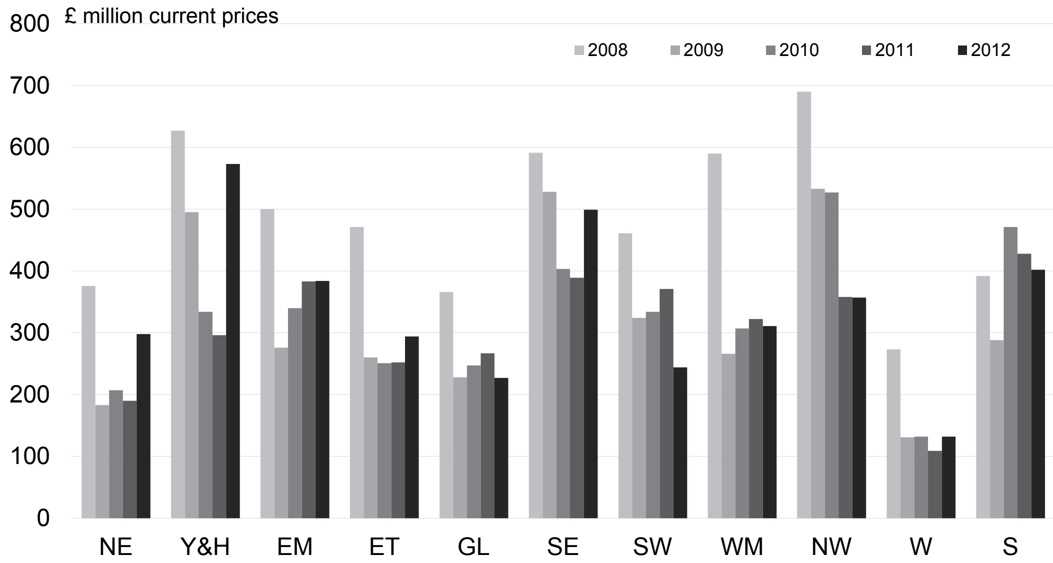
TABLE F.2: PRIVATE INDUSTRIAL OUTPUT BY CONTRACTORS: BY REGION

£ million current prices
percentage of Great Britain

	NE	Y&H	EM	ET	GL	SE	SW	WM	NW	W	S	GB
2008	376	627	500	471	366	591	461	590	690	273	392	5338
	7	*12*	*9*	*9*	*7*	*11*	*9*	*11*	*13*	*5*	*7*	
2009	183	495	276	260	228	528	324	266	533	131	288	3514
	5	*14*	*8*	*7*	*6*	*15*	*9*	*8*	*15*	*4*	*8*	
2010	207	334	340	251	247	403	334	307	527	132	471	3551
	6	*9*	*10*	*7*	*7*	*11*	*9*	*9*	*15*	*4*	*13*	
2011	190	296	383	252	267	389	371	322	358	109	428	3365
	6	*9*	*11*	*7*	*8*	*12*	*11*	*10*	*11*	*3*	*13*	
2012	298	573	384	294	227	499	244	311	357	132	402	3724
	8	*15*	*10*	*8*	*6*	*13*	*7*	*8*	*10*	*4*	*11*	
2012 Q1	72	107	105	65	68	105	60	77	68	30	90	848
Q2	80	158	94	70	67	129	52	76	70	34	87	916
Q3	79	165	94	77	52	135	61	72	71	35	104	947
Q4	67	143	91	82	40	130	71	86	148	33	121	1011
2013 Q1	47	100	71	64	31	101	62	113	182	23	105	899
Q2	33	78	57	53	42	96	64	159	185	16	88	872
Q3	29	70	65	67	52	107	62	183	148	13	85	882

Source: ONS.

FIGURE F1: PRIVATE INDUSTRIAL OUTPUT BY REGION



Source: ONS.

TABLE F.3: PRIVATE COMMERCIAL ORDERS BY CONTRACTORS: BY REGION

£ million current prices
percentage of Great Britain

	NE	Y&H	EM	ET	GL	SE	SW	WM	NW	W	S	GB
2008	1064	1519	1071	1543	5781	4589	1731	1740	1981	673	1661	23353
	5	*7*	*5*	*7*	*25*	*20*	*7*	*7*	*8*	*3*	*7*	
2009	394	840	765	900	2736	2199	1140	1033	1400	471	1011	12886
	3	*7*	*6*	*7*	*21*	*17*	*9*	*8*	*11*	*4*	*8*	
2010	422	944	811	1086	3270	1788	1093	1261	1433	528	945	13580
	3	*7*	*6*	*8*	*24*	*13*	*8*	*9*	*11*	*4*	*7*	
2011	424	918	631	959	3481	2038	1100	992	1252	359	849	13005
	3	*7*	*5*	*7*	*27*	*16*	*8*	*8*	*10*	*3*	*7*	
2012	440	687	642	1111	2901	1581	902	913	1262	462	1072	11973
	4	*6*	*5*	*9*	*24*	*13*	*8*	*8*	*11*	*4*	*9*	
2012 Q1	155	156	182	309	970	452	254	292	307	258	214	3550
Q2	118	183	116	275	842	365	209	207	274	46	198	2833
Q3	101	129	151	224	490	410	186	199	417	74	336	2716
Q4	66	219	193	303	599	354	253	215	264	84	324	2874
2013 Q1	130	228	137	241	987	470	215	204	276	170	219	3277
Q2	240	493	61	152	931	352	250	151	300	204	342	3476
Q3	119	224	182	301	900	391	274	281	237	119	334	3363

Source: ONS.

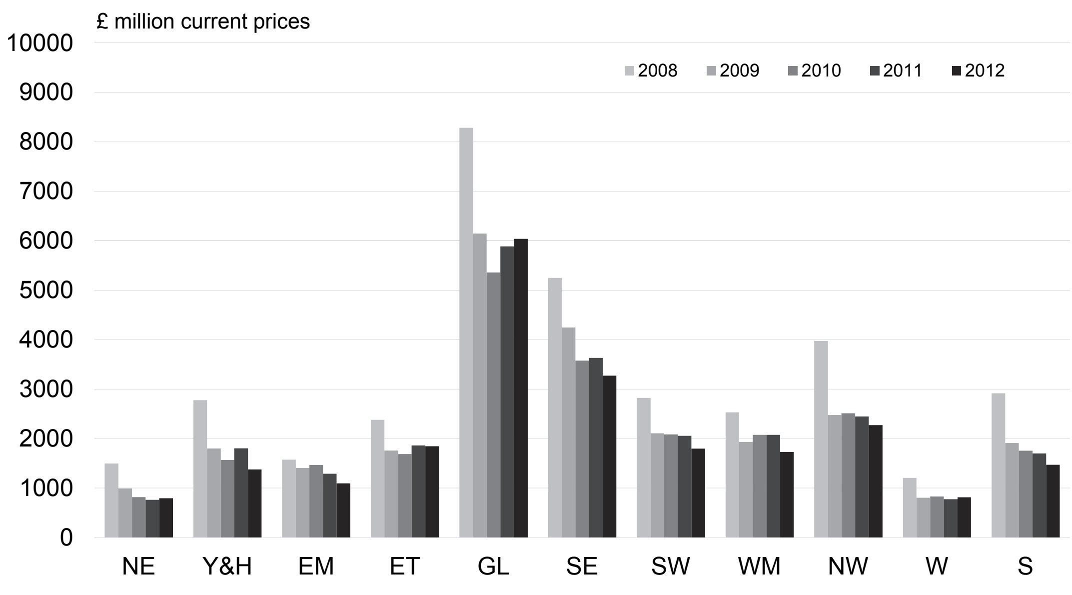
TABLE F.4: PRIVATE COMMERCIAL OUTPUT BY CONTRACTORS: BY REGION

£ million current prices
percentage of Great Britain

	NE	Y&H	EM	ET	GL	SE	SW	WM	NW	W	S	GB
2008	1497	2773	1573	2378	8283	5245	2821	2530	3972	1203	2913	35189
	4	*8*	*4*	*7*	*24*	*15*	*8*	*7*	*11*	*3*	*8*	
2009	991	1800	1404	1758	6143	4243	2105	1931	2476	800	1909	25557
	4	*7*	*5*	*7*	*24*	*17*	*8*	*8*	*10*	*3*	*7*	
2010	816	1567	1467	1683	5355	3577	2082	2071	2512	826	1756	23710
	3	*7*	*6*	*7*	*23*	*15*	*9*	*9*	*11*	*3*	*7*	
2011	762	1803	1287	1863	5885	3630	2055	2071	2445	771	1698	24272
	3	*7*	*5*	*8*	*24*	*15*	*8*	*9*	*10*	*3*	*7*	
2012	792	1374	1093	1843	6037	3271	1794	1729	2270	811	1470	22484
	4	*6*	*5*	*8*	*27*	*15*	*8*	*8*	*10*	*4*	*7*	
2012 Q1	180	366	265	418	1447	830	450	425	521	187	332	5420
Q2	202	364	274	462	1596	846	466	445	555	212	344	5766
Q3	206	332	268	464	1517	805	439	430	582	208	367	5618
Q4	204	312	286	499	1477	790	439	429	612	204	427	5680
2013 Q1	193	292	275	479	1335	723	405	393	578	200	438	5310
Q2	231	385	268	477	1386	754	423	393	596	238	507	5656
Q3	281	498	287	516	1584	817	478	438	619	277	600	6397

Source: ONS.

FIGURE F2: PRIVATE COMMERCIAL OUTPUT BY REGION



Source: ONS.

APPENDIX G: DEFINITIONS: TYPES AND EXAMPLES OF CONSTRUCTION WORK

Public Sector Housing - Local Authorities and Housing Associations, New Towns and Government Departments

Housing schemes, old people's homes and the provision within housing sites of roads and services for gas, water, electricity, sewage and drainage.

Private Sector Housing

All privately owned buildings for residential use, such as houses, flats and maisonettes, bungalows, cottages and the provision of services to new developments.

Infrastructure - public and private

Water

Reservoirs, purification plants, dams, water works, pumping stations, water mains, hydraulic works etc.

Sewerage

Sewage disposal works, laying of sewers and surface drains.

Electricity

Building and civil engineering work for electrical undertakings such as power stations, dams and other works on hydroelectric schemes, and decommissioning of nuclear power stations, onshore wind farms.

Gas, communications, air transport

Gas works, gas mains and gas storage; post offices, sorting offices, telephone exchanges, switching centres etc.; air terminals, runways, hangars, reception halls, radar installations.

Railways

Permanent way, tunnels, bridges, cuttings, stations, engine sheds etc., signalling and other control systems and electrification of both surface and underground railways.

Harbours

All works and buildings directly connected with harbours, wharves, docks, piers, jetties, canals and waterways, sea walls, embankments and water defences.

Roads

Roads, pavements, bridges, footpaths, lighting, tunnels, flyovers, fencing etc.

Public Non-residential Construction[1]

Factories and warehouses

Publicly owned factories, warehouses, skill centres.

Oil, steel, coal

Now restricted to remedial works for public sector residual bodies.

Schools, colleges, universities

State schools and colleges (including technical colleges and institutes of agriculture); universities including halls of residence, research establishments etc.

Health

Hospitals including medical schools, clinics, welfare centres, adult training centres.

Offices

Local and central government offices, including town halls, offices for all public bodies except the armed services, police headquarters.

Entertainment

Theatres, restaurants, public swimming baths, caravan sites at holiday resorts, works and buildings at sports grounds, stadiums, racecourses etc. owned by local authorities or other public bodies.

Garages

Buildings for storage, repair and maintenance of road vehicles, transport workshops, bus depots, road goods transport depots and car parks.

Shops

Municipal shopping developments for which the contract has been let by a Local Authority.

Agriculture

Buildings and work on publicly financed horticultural establishments; fen drainage and agricultural drainage; veterinary clinics.

Miscellaneous

All work not clearly covered by any other headings, such as fire stations, police stations, prisons, reformatories, remand homes, civil defence work, UK Atomic Energy Authority work, council depots, museums, libraries.

Private Industrial Work

Factories, warehouses, wholesale depots, all other works and buildings for the purpose of industrial production or processing, oil refineries, pipelines & terminals, concrete fixed leg oil production platforms (not rigs); private steel work; all new coal mine construction such as sinking shafts, tunnelling, etc.

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[1] **Where contracts for the construction or improvement of non-residential buildings used for public service provision, such as hospitals, are awarded by private sector holders of contracts awarded under the Private Finance Initiative, the work is classified as 'private commercial'**.

Private Commercial Work[1]

Schools and universities

Schools and colleges in the private sector, financed wholly from private funds.

Health

Private hospitals, nursing homes, clinics.

Offices

Office buildings, banks.

Entertainment

Privately owned theatres, concert halls, cinemas, hotels, public houses, restaurants, cafés, holiday camps, swimming pools, works and buildings at sports grounds, stadiums and other places of sport or recreation, youth hostels.

Garages

Repair garages, petrol filling stations, bus depots, goods transport depots and any other works or buildings for the storage, repair or maintenance of road vehicles, car parks.

Shops

All buildings for retail distribution such as shops, department stores, retail markets, showrooms, etc.

Agriculture

All buildings and work on farms, horticultural establishments.

Miscellaneous

All work not clearly covered by any other heading, e.g. exhibitions, caravan sites, churches, church halls.

New Work

New housing

Construction of new houses, flats, bungalows only.

All other types of work

All new construction work and all work that can be referred to as improvement, renovation or refurbishment and which adds to the value of the property.[2]

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[1] **Where contracts for the construction or improvement of non-residential buildings used for public service provision, such as hospitals, are awarded by private sector holders of contracts awarded under the Private Finance Initiative, the work is classified as 'private commercial'.**

[2] **Contractors reporting work may not always be aware of the distinction between improvement or renovation work and repair and maintenance work in the non-residential sectors.**

Repair and Maintenance

Housing

Any conversion of, or extension to any existing dwelling and all other work such as improvement, renovation, refurbishment, planned maintenance and any other type of expenditure on repairs or maintenance.

All other sectors

Repair and maintenance work of all types including planned and contractual maintenance.[1]

Except where stated, mixed development schemes are classified to whichever sector provides the majority (i.e. over 50%) of finance.

APPENDIX H

The Forecasting Committee for the Construction Industries

Chairman

Mr Colin Fletcher	Fletcher Jackson Limited

Members

Mr Mike Canavan	Consultant
Mr Keith Folwell	Department for Business Innovation and Skills
Mr Peter Gutmann	Experian
Mr Nigel Marks	Consultant
Mr Jerry McLaughlin	Mineral Products Association Ltd Chairman of the Infrastructure Group
Mr Colin Ostler	Tata Steel
Mrs Jennet Siebrets	CB Richard Ellis Chairman of the Housing/RMI Group
Mr Anthony J Williams	Building Value Limited Chairman of the Non-residential Group

Secretary

Mr James Hastings	Experian

Housing/RMI Forecasting Group

Chairman

Mrs Jennet Siebrets	CB Richard Ellis

Members

Mr Adam Challis	Jones Lang LaSalle
Mr Peter Charles	Consultant
Mr Martin Ellis	Lloyds Banking Group plc
Ms Anna Fialko	Department for Business, Innovation & Skills
Mr Rhys Herbert	Lloyds Banking Group plc
Mr Bob Pannell	Council of Mortgage Lenders
Ms Kapila Perara	Homes and Communities Agency
Mr Paul Reed	Marley Eternit Ltd
Mr Alastair Stewart	Consultant
Mr John Stewart	Home Builders Federation

Secretary

Ms Sonya Patel	Experian

Non-residential Forecasting Group

Chairman

Mr Anthony J Williams	Building Value Limited

Members

Mr Malcolm Aldridge	Robinson Low Francis
Mr Mike Canavan	Consultant
Mr Simon Chillingworth	Carillion plc
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