

United Kingdom Construction Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 150 pages | Mordor Intelligence

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Report description:

Key Highlights

The United Kingdom construction market is estimated to register a CAGR of more than 4% during the forecast period. Due to the strict execution of the measures to restrict the disease's spread, the COVID-19 pandemic had a significant negative impact on the UK construction industry in 2020, with overall output decreasing by almost 46% year over year in April 2020. However, there has also been a significant recovery, with positive growth rates in the UK's construction output every month since March 2021.

The gross value added by building activities in the UK not only returned to pre-pandemic levels in the third quarter of 2021 but also continued to increase in 2022. For instance, compared to 2020, more new homes were registered to be built in 2021 in every region outside London, with growth rates in the North East, East Midlands, and Eastern regions reaching above 45%. Infrastructure construction had the biggest market share growth in the sector.

Even though the general trends point to significant expansion, the UK construction industry has recently faced numerous difficulties. Inflation and Russia's invasion of Ukraine further disrupted the supply chain and drove up the price of building materials, in addition to the COVID-19 outbreak. In addition to all of these risks, the construction industry was already in a bad spot when, in the last quarter of 2021, stock levels hit their lowest point since the start of the pandemic.

For instance, rising energy and oil prices had an impact on steel production, which requires a lot of energy. Concrete reinforcing bars, which are also composed of steel, cost 45.8% more in March 2022 than they did in March 2021. The cost of transporting other construction supplies has increased as a result of the rising price of oil, driving up the overall cost of most construction materials.

UK Construction market Trends

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Increase in GVA of construction Industry

In the period of consideration, the GVA of the construction industries presented a trend of growth. In 2009, the gross value added decreased to roughly 14%, amounting to GBP 122 billion (USD 146 billion). Since 2010, the GVA of the construction industry has seen constant growth, amounting to GBP 112.2 billion (USD 134 billion) as of 2021.

Construction is a sector where the UK has a strong competitive edge. The UK has world-class expertise in architecture, design, and engineering, and British companies are leading the way in sustainable construction solutions.

Changes in the international economy are creating new opportunities for Britain. To help boost economic recovery, the government is doing all it can to help British businesses grow and have the aspiration, confidence, and drive to compete in the global market. This includes reforming the planning system, ensuring funding is available for key infrastructure projects and supporting the housing market through key initiatives such as the Help-to-Buy Equity Loan Scheme and the Funding for Lending Scheme.

The gross value added (GVA) to the construction sector in the United Kingdom in the second quarter of 2022 was more than four billion British pounds higher than in the corresponding period of 2021.

The GVA of this sector dropped to GBP 20 billion (USD 25.6 billion) in the second quarter of 2020 as a result of the COVID-19 pandemic, marking the sector's lowest point in a decade. Out of all the subsectors in the UK construction industry, private housing was the one that made the most money.

Private Housing Share is the Highest in the United Kingdom Construction Industry

Private housing was the biggest sector within the construction industry. In 2021, it will account for 15 percent of all construction output. By comparison, public housing only made up 3.7% of the industry and was the second-smallest sector. According to the construction output index for new private housing, the output has been increasing following the years of the recession and reached a peak in 2018.

In the coming years, the private housing and infrastructure sectors will continue to be the primary drivers of industry growth. The confirmed extension of the government's Help to Buy scheme through to March 2023 continues to encourage house building activity, with an output rise of 4% in 2022.

The infrastructure sector is expected to reach its highest level on record in the coming years, driven by large projects such as HS2, the Thames Tideway, and Hinkley Point. There remain concerns, however, about the government's ability to deliver major infrastructure projects, as highlighted by the cost overruns and delays seen most recently on Crossrail and the suspension of the second new power station, Wylfa.

UK Construction market Competitor Analysis

The report covers the major players operating in the United Kingdom construction market. The market is fragmented, with the United Kingdom construction market presenting opportunities for the companies to grow during the forecast period.

The major players include Balfour Beatty plc, Kier Group plc, Interserve plc, Galliford Try plc, and Morgan Sindall Group plc.

Additional Benefits:

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The market estimate (ME) sheet in Excel format
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Table of Contents:

1 INTRODUCTION

- 1.1 Study Deliverables
- 1.2 Study Assumptions
- 1.3 Scope of the Study

2 RESEARCH METHODOLOGY

3 EXECUTIVE SUMMARY

4 MARKET DYNAMICS

- 4.1 Market Overview
- 4.2 Drivers
- 4.3 Opportunities
- 4.4 Restraints
- 4.5 Value Chain / Supply Chain Analysis
- 4.6 Industry Attractiveness- Porter's Five Forces Analysis
 - 4.6.1 Threat of New Entrants
 - 4.6.2 Bargaining Power of Buyers/Consumers
 - 4.6.3 Bargaining Power of Suppliers
 - 4.6.4 Threat of Substitute Products
 - 4.6.5 Intensity of Competitive Rivalry

5 MARKET INSIGHTS

- 5.1 Current Economic and Construction Market Scenario
- 5.2 Technological Innovations in the Construction Sector
- 5.3 Impact of Government Regulations and Initiatives on the Industry
- 5.4 Insights on Upcoming and Ongoing Infrastructure Projects in United Kingdom

6 MARKET SEGMENTATION

- 6.1 By Sector
 - 6.1.1 Residential
 - 6.1.2 Commercial
 - 6.1.3 Industrial
 - 6.1.4 Infrastructure (Transportation)
 - 6.1.5 Energy and Utilities

7 COMPETITIVE LANDSCAPE

- 7.1 Vendor Market Share
- 7.2 Mergers & Acquisitions
- 7.3 Company Profiles
 - 7.3.1 Balfour Beatty plc
 - 7.3.2 Kier Group plc
 - 7.3.3 Interserve plc

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- 7.3.4 Galliford Try plc
- 7.3.5 Morgan Sindall Group plc
- 7.3.6 Amey UK plc
- 7.3.7 Mace Ltd
- 7.3.8 ISG plc
- 7.3.9 Keller Group plc
- 7.3.10 Laing O'Rourke plc*

8 FUTURE OF THE MARKET

9 APPENDIX

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