



WHITE PAPER

UK Covid Impact Customer Update – Q4

UK Quarterly Construction Update

Since our last update the construction market has shown signs of recovery with increased numbers of tenders, and output increasing at the highest rate in November since October 2014.¹

The roll out of the COVID-19 vaccination across the UK has provided renewed hope for 2021 with the Oxford vaccine approved in the UK. However, increased restrictions and the emergence of the new strain of COVID-19 across the UK is indicative of further tough restrictions ahead.

A last-minute deal between the UK and the EU marks good news for the construction industry. The Construction Index summarised, “The UK and the European Union have agreed a wide-ranging free trade agreement, avoiding the risks associated with a no-deal and delivering continuity in cost and availability of construction products and materials.”²

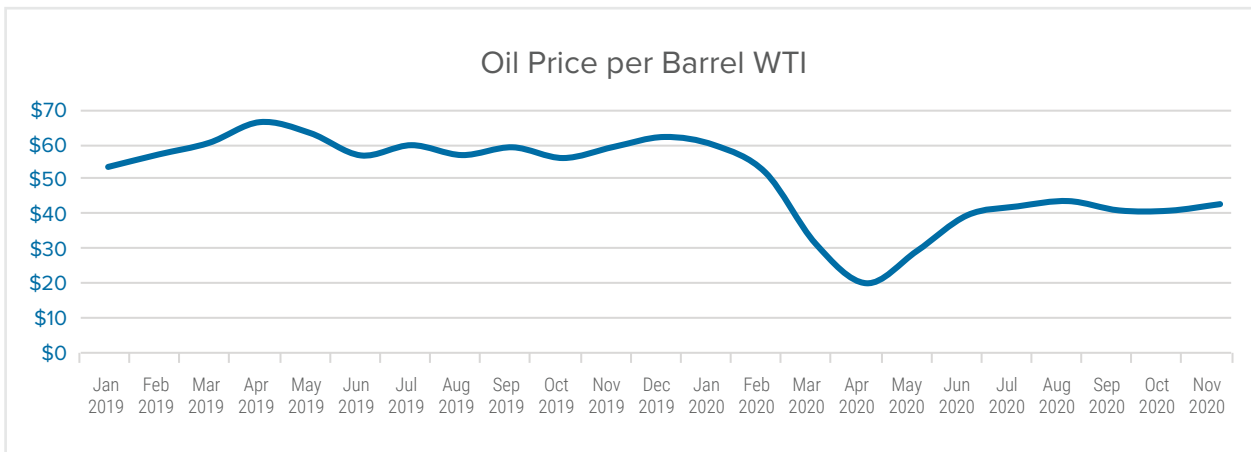
Additionally the UK and EU have agreed on trusted trader schemes and customs controls to maintain the roll-on/roll-off at ports, maintaining the availability of materials for construction.

¹ <https://www.building.co.uk/news/end-of-year-tonic-as-increase-in-new-orders-races-to-six-year-high/5109378.article>

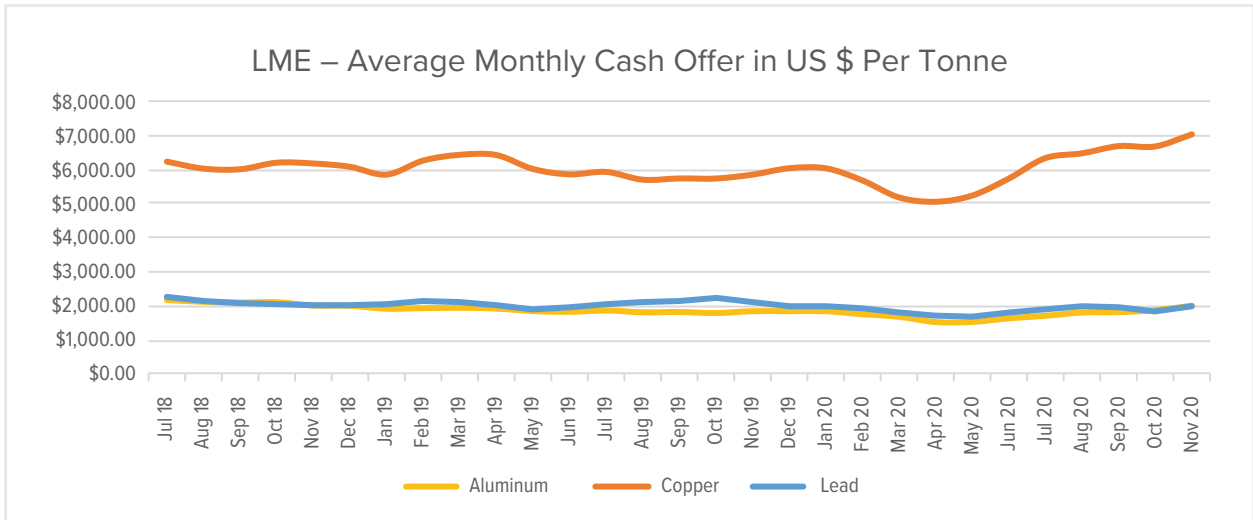
² <https://www.theconstructionindex.co.uk/news/view/construction-organisations-welcome-brexit-trade-deal>

MARKET INDICATORS

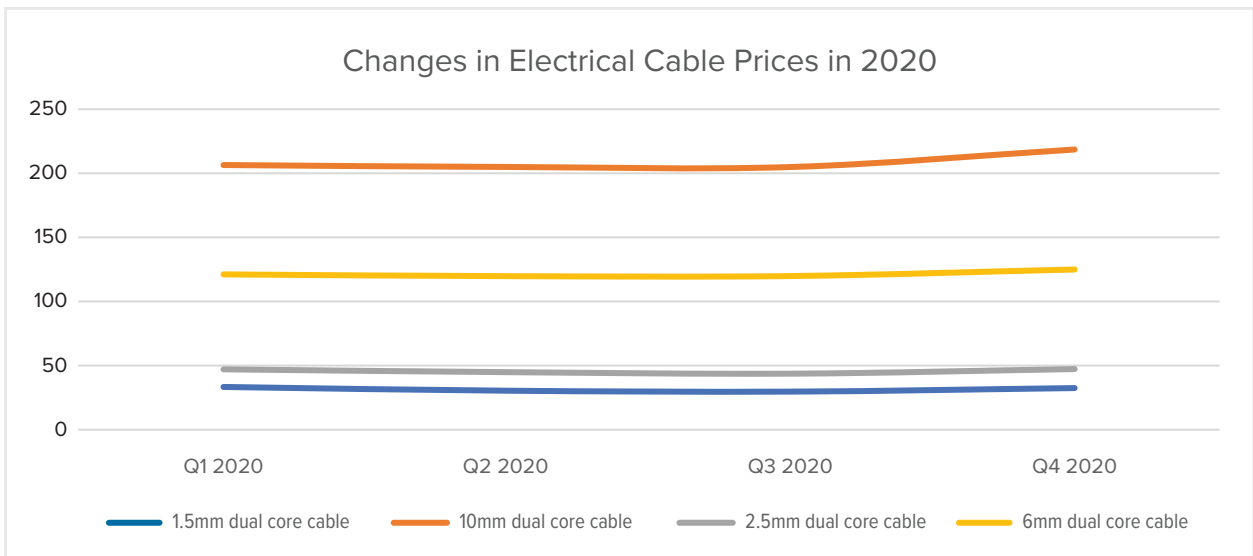
Similarly to the previous quarter, oil prices have remained stable as demand has held steady, but are still far below the price prior to the lockdowns across the globe. With stricter measures constantly appearing across Europe, this has the potential to drive down the price per barrel further.



After the decline in the price of copper mid-year, the continuous demand has driven the price up beyond January 2020 levels. The demand for copper continues to rise with the popularity of consumer electronics, renewable energy sources, and energy efficient products such as solar panels and electronic cars. While the trend will increase demand for all metals, the rise of copper prices is currently the most prevalent.³ However, copper prices likely increased at a slower rate than they would have in 2020 had it not been for COVID-19 interrupting the supply process. This trend is expected to continue into 2021.⁴



The Verisk property pricing team corroborates these trends this quarter, finding that prices across all varieties of dual core cables increased in price by on average by 6%. The prices in Northern Ireland increased by the greatest amount with average rises of 15% in Q4.



The prices of lead and aluminium have risen over the quarter, but slight declines on the price at the start of the year remain.

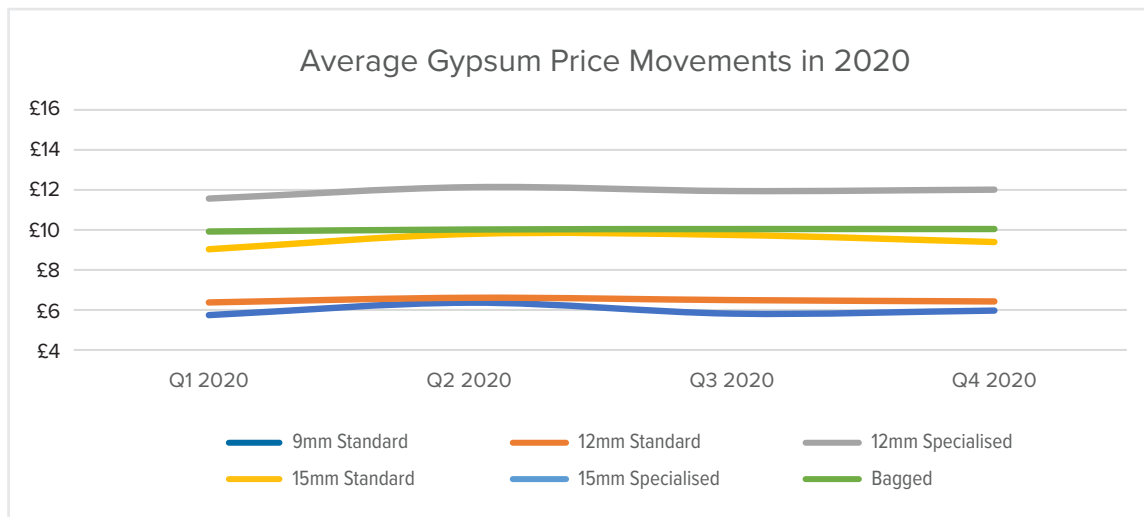
³ <https://sustainablecopper.org/meeting-future-copper-demand/>
⁴ <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/copper-supply-faces-struggle-to-keep-up-with-growing-demand-60471925>

Gypsum

British Gypsum recently reached another landmark in their production recovery, announcing the removal of their order allocation system from 14 December, returning supplies to normal as stated by Matt Pullen, Managing Director:

“This means that from this date we will be able to supply the full order requirements of all our usual merchant, distributor and DIY/trade customers, who in turn are continuing to supply construction sites and tradespeople across the UK.⁵”

This step should in turn lead to reductions in prices across gypsum products. Verisk’s research found price decreases across a range of gypsum products. 12mm Specialized plasterboard is the exception, which had an average price increase of 1%.

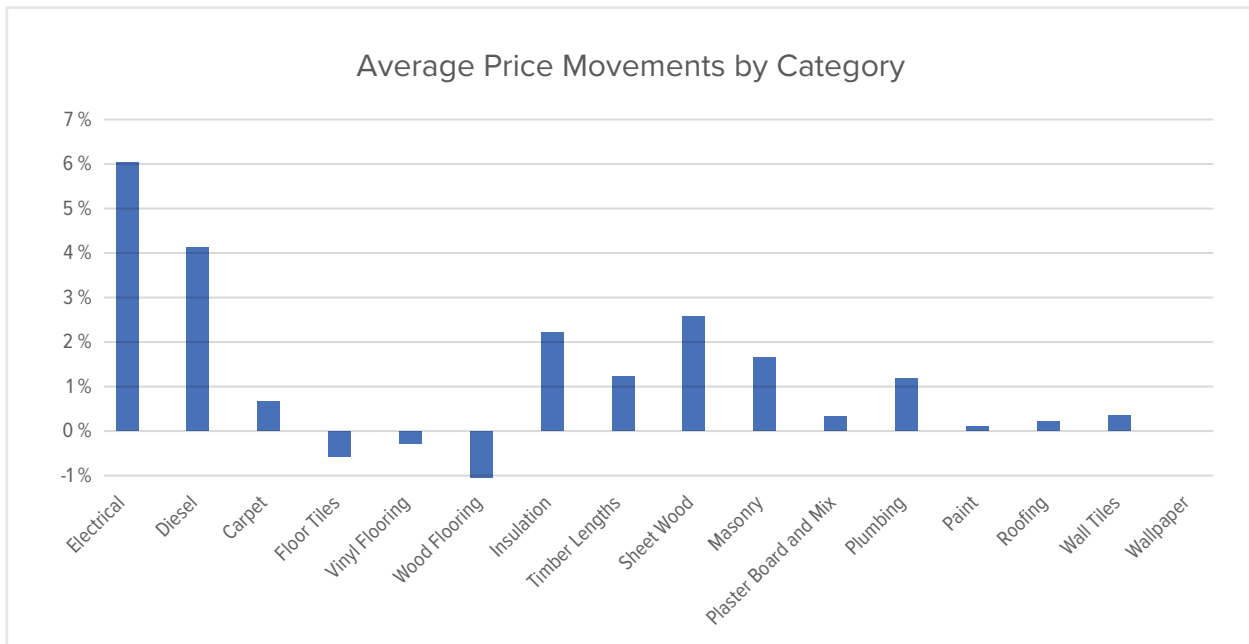


⁵ <https://www.british-gypsum.com/about-us/coronavirus>

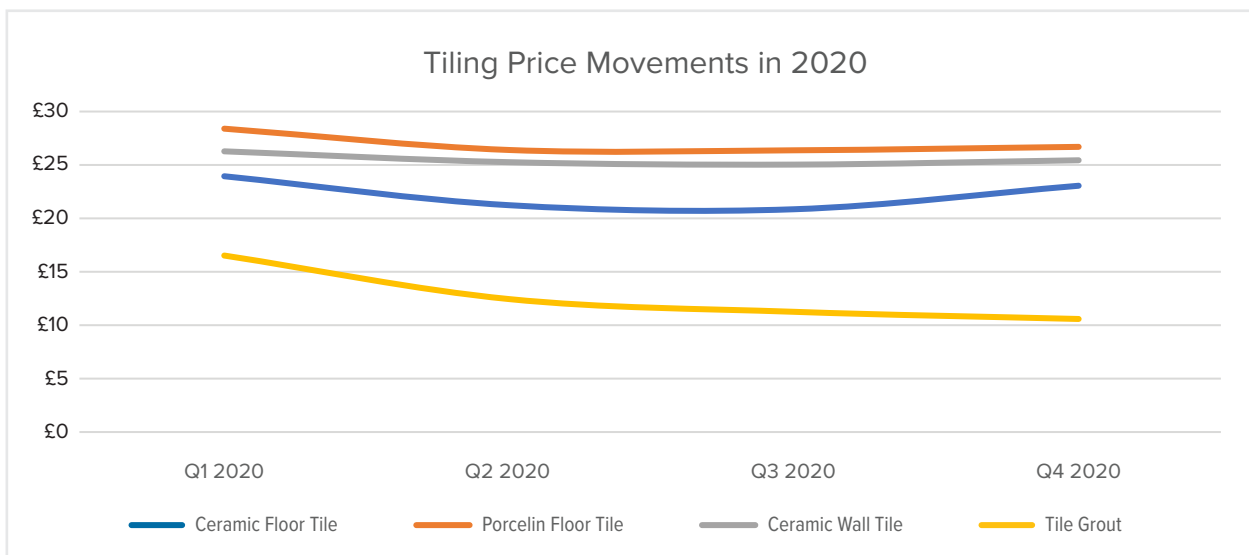
RESEARCH FINDINGS – Materials

The Verisk property pricing team has found that prices have remained static compared to the previous quarter, except for electrical cable. Diesel prices have increased by 4.18% on average, while oil prices have remained static. During the second lockdown in England, due to less strict rules and increased COVID-19 safe practices, traffic on the roads did not decrease by the same large amount as seen in April.

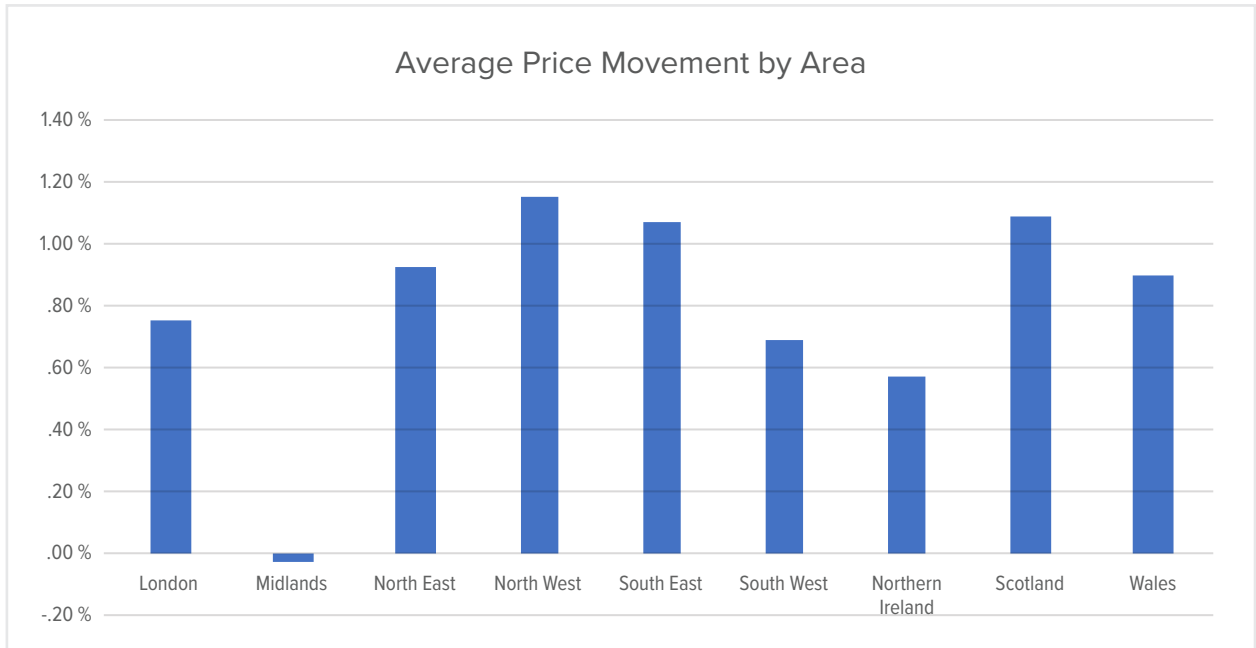
Following price increases in roofing materials seen in Q3, there has been a minimal price increase seen in Q4, far more in line with what we would expect; given the increased price of lead as a raw material, a decrease in price was not expected.



While tile movements have been much smaller this quarter, we have seen the start of these prices normalising. Ceramic floor tiles have recovered to just below their prices at the start of the year, with the biggest increase of any of the tiling items.



Additionally, while we have seen the prices of materials increase across the UK (apart from the Midlands), there have been no sizeable movements and no increases of more the 1.2% on average.

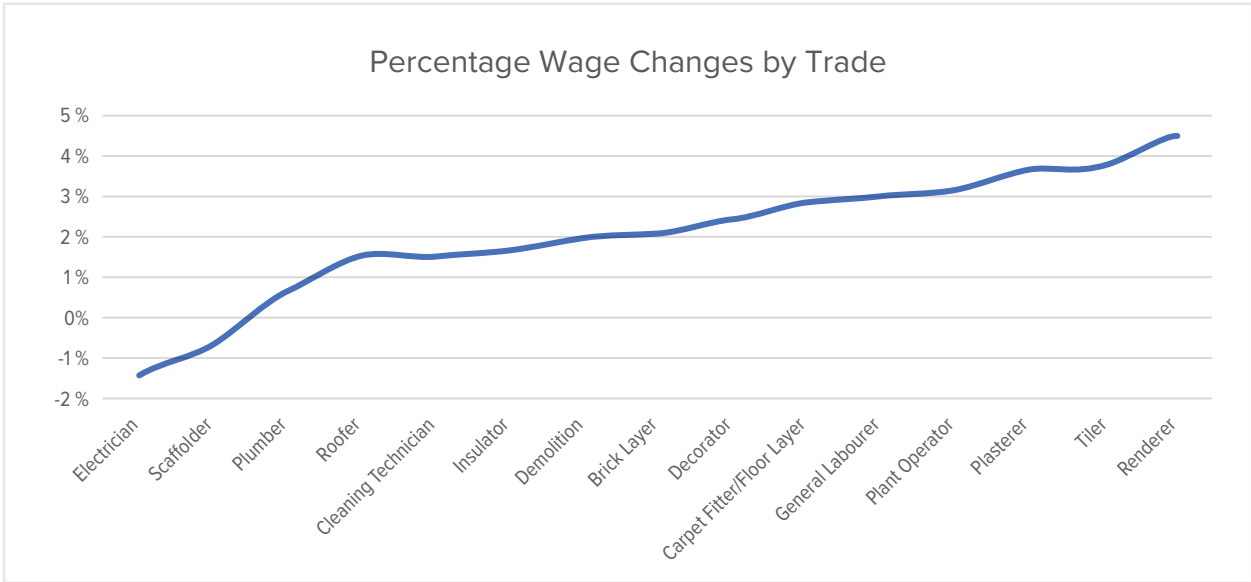


Labour

As of November 2020, 89.2% of construction companies are currently trading, one of the highest proportion of industries currently trading in this UK. Only 10.1% of businesses have currently paused trading, coupled with only 2.3% of the workforce furloughed. The average across all industries is 81.6% currently trading on 1 November, 2020. However, 40% of construction companies have reported a decrease in turnover compared to what is expected for this time of year.⁶

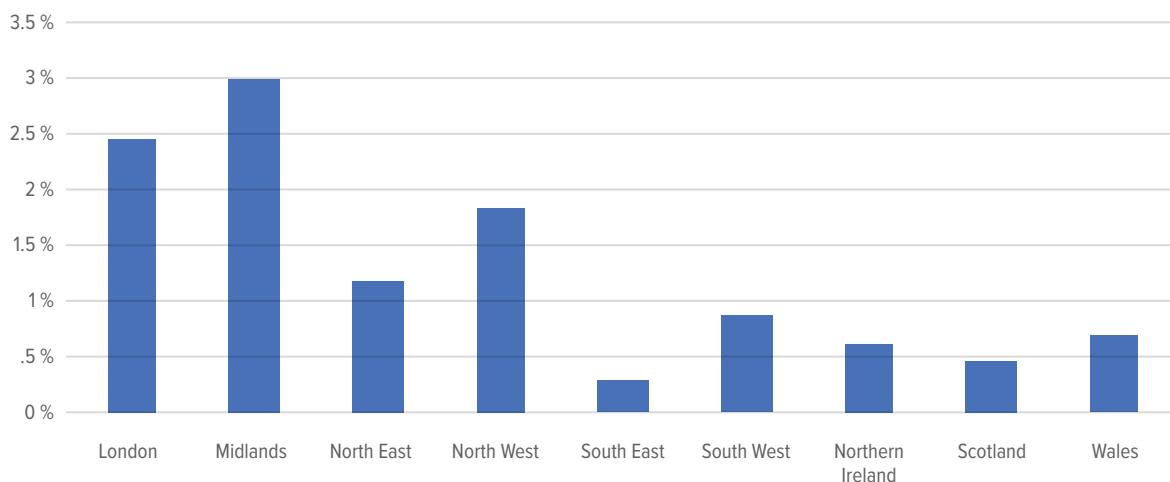
The Verisk property pricing research indicates wage changes have been fairly static between October and December, but small increases have been observed across many of the trades, which can be attributed to the decrease in turnover.

⁶ <https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/bulletins/coronavirusandtheeconomicimpactsontheuk/19november2020>



Small average wage changes have been seen across the UK, the smallest increase being seen in the South East. As in the previous quarter, this can largely be attributed to the skill shortages expected as a result of Brexit.

Average Percentage Change of UK Wages



The Verisk property pricing team will continue to monitor the changes closely. We will share any insight with our customers as the situation evolves. We will continue to reach out and talk to our customers, listen, and share information before deciding our next steps. Changes will be reflected in our quarterly pricelist release as the industry reacts to the ever-changing climate. The next pricelist will be released on the 1 April 2021.

Stay Safe

For further information please contact UKpricing@Xactware.com

