



CITB ANALYSIS AND FORECASTING

**5-year
Outlook**
2021-2025

Construction Skills Network

Labour Market Intelligence Report

**Yorkshire
and Humber**



Forecasted to exceed the UK annual average growth rate, at 4.5%, 19,000 extra workers will need to be recruited to meet expected levels of work over the five-year forecast period.

The annual recruitment requirement in Yorkshire and Humber

1.8%

Amount of new workers that are needed between 2020 and 2025

19,000

Macroeconomic backdrop

The outlook for most of the economy looks much more positive, as confidence rises amid a successful vaccine rollout, declining Covid-19 infection rates and the government continuing to follow its 'roadmap out of lockdown' that involves return to some normality. For instance, YouGov/Centre for Economics and Business Research's Consumer Confidence Index in April 2021 recorded its highest score in almost three years, at 108.5. The index score of above 100 suggests that more consumers are confident than not, and this is being driven by recent business activity in the workplace as the economy gradually reopens. Rising confidence should result in greater prospect for spending and therefore expediting economic recovery from the recession.

Construction is no exception to optimism about the future, with IHS Markit/CIPS' Construction Future Activity Index averaging a score of 73.4 in the first three months of 2021. A score of above 50.0 suggests that the construction industry expects growth over the coming 12 months. Most of this optimism results from continued resumption of works that

were previously paused during previous lockdown restrictions and an expected rise in sales, as the economy continues to reopen and lockdown restrictions ease. As construction output keeps recovering in 2021 the industry's confidence should remain positive.

These positive points could reduce the risk of business insolvency in the near-term. Ernst & Young's 2020 Profit Warnings report suggests that most of construction's 33 'profit warnings', when a publicly listed company reports profits materiality below expectations, came from the commercial sector. Structural changes impacted commercial work during 2020, with reduced demand for office space arising from remote working and an ongoing shift towards online shopping impacting retail space, and these changes pose near-term uncertainty for this sector. The risk for the commercial sector is that its number of insolvencies could rise as government support winds down in 2021.

A swift recovery could present a risk of price pressures for construction and the wider economy. Although inflation is currently low (0.4% in February 2021), we expect inflation to rise to 2% by the end of 2021 as pent-up demand pushes up prices. Construction has recently faced

rising material prices, also driven by:

- Difficulties in obtaining materials during the pandemic
- Import tariffs
- Depressed sterling rates.

While some of these factors could be temporary, ongoing price pressures for construction are likely, especially due to potential supply shortages. The Royal Institute of Chartered Surveyors forecast that construction materials prices will rise by 22% between Q3 2020 and Q3 2025, which could pose some challenges for the industry, e.g., through uncertainty about future profits and costs that in turn impact investment levels.

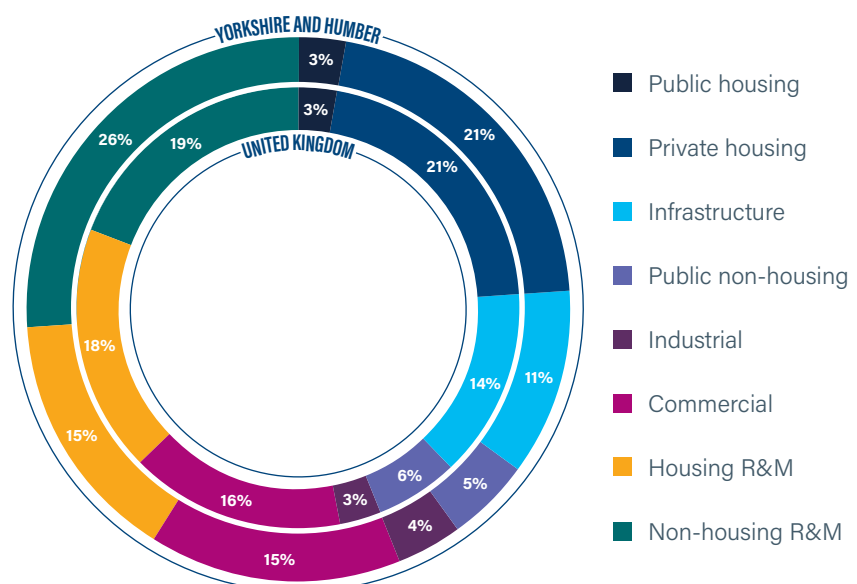
Lastly, there are non-economic challenges for the wider economy and several industries, including construction. These include a potential third wave of Covid-19 infection rates resulting from relaxed social distancing restrictions during summer 2021 and increased international travel that might result in further Covid-19 variants. Such challenges could also lead to additional lockdown measures during autumn 2021 and onwards, which could create a dent in wider economic and construction recovery.

Structure

The construction industry in Yorkshire and Humber has a similar variation in structure when compared to the UK view, with non-housing R&M having a larger share, whereas infrastructure has a smaller share. However, infrastructure, housing and commercial are all important sources of new work, while repair and maintenance accounts for over a third of all construction work in Yorkshire and Humber.

CONSTRUCTION INDUSTRY STRUCTURE 2020, YORKSHIRE AND HUMBER VS UK

Source: ONS, Experian

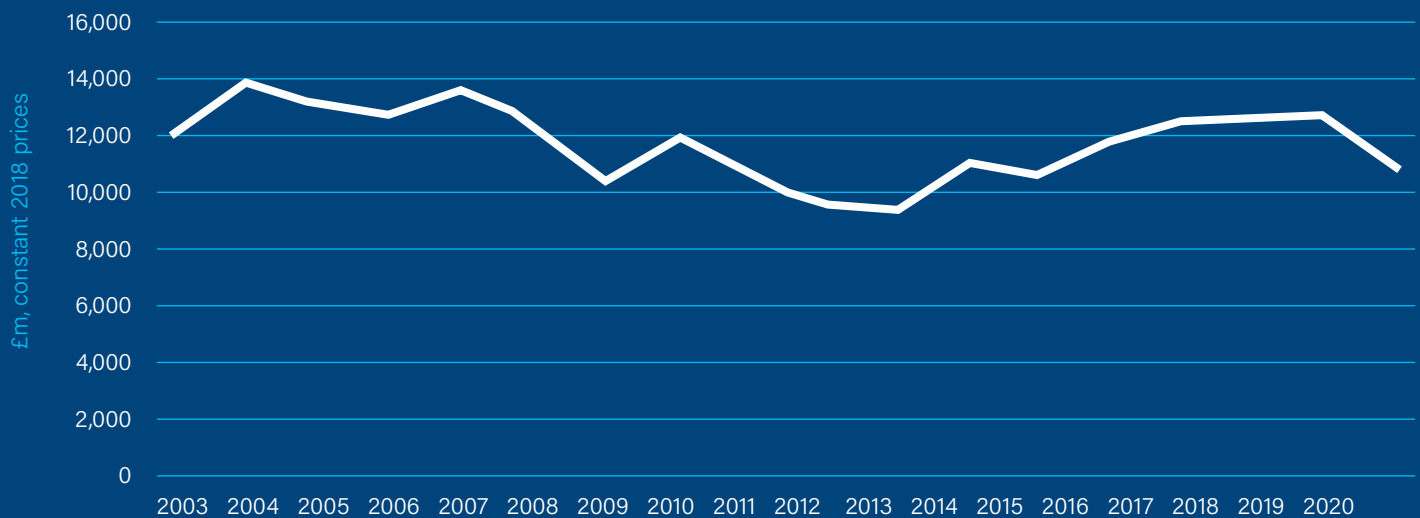


2020 view

2020 has been a challenging year for construction in Yorkshire and Humber, with annual output dropping by around 15% when compared to 2019. We expect to see a steady recovery in output from 2021, although this depends on the success in controlling Covid-19.

CONSTRUCTION OUTPUT 2003 - 2020 YORKSHIRE AND HUMBER

Source: ONS



Output forecast 2021 - 2025

Yorkshire and Humber is forecasted to grow at an annual average rate of 4.5%, which is slightly above the UK forecast of 4.4%. This region's growth rate reflects a recovery from a very weak base. Private housing and infrastructure are both expected to have the fastest sector growth and we forecast for this region's construction output to achieve its pre-Covid-19 levels by 2023.

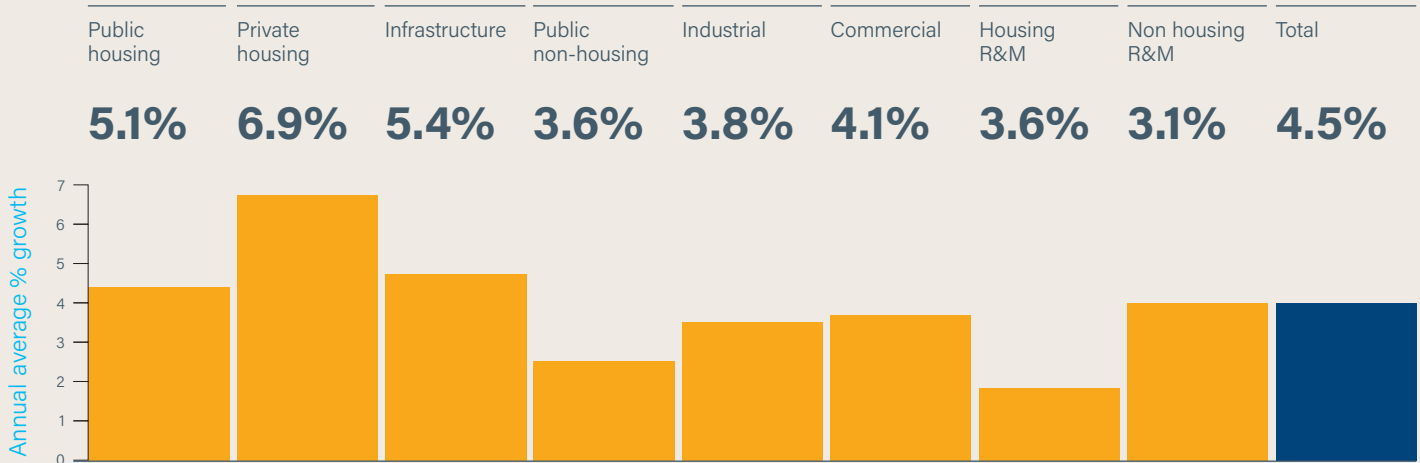
Between the end of 2020 and the end of 2025, private housing is forecasted to grow at an annual average rate of 6.9%, which exceeds the UK average, and infrastructure at 5.4%.

Yorkshire and Humber average growth rate

4.5%

Forecast

FORECAST ANNUAL AVERAGE OUTPUT GROWTH BY SECTOR 2021-2025 YORKSHIRE AND HUMBER



Source: CSN, Experian Ref: CSN Explained, Section 4, Note 2

CONSTRUCTION OUTPUT - YORKSHIRE AND HUMBER (£ MILLION, 2018 PRICES)

	Actual	Forecast (Annual % change, real terms)					Annual average
	2020	2021	2022	2023	2024	2025	2020-2025
Public Housing	288	14.2%	3.1%	2.5%	3.9%	2.2%	5.1%
Private Housing	2,273	22.2%	4.4%	3.2%	3.3%	2.7%	6.9%
Infrastructure	1,174	9%	4.7%	4.3%	6.3%	3.1%	5.4%
Public Non-housing	523	7.4%	3.6%	2.1%	2.9%	2%	3.6%
Industrial	425	9.9%	5.8%	2.2%	1.1%	0.2%	3.8%
Commercial	1,573	6.8%	4.5%	3.7%	2.6%	2.9%	4.1%
New Work	6,256	13.4%	4.4%	3.3%	3.5%	2.6%	5.4%
Housing R&M	1,642	10.2%	3.8%	2%	1.8%	0.5%	3.6%
Non-housing R&M	2,777	5.2%	3%	3.1%	2.4%	1.6%	3.1%
Total R&M	4,419	7%	3.3%	2.7%	2.2%	1.2%	3.3%
Total Work	10,675	10.8%	4%	3.1%	3%	2%	4.5%

The annual average growth rate is the rate of growth between the end of 2020 and the end of 2025, i.e., five-year period.

Source: CSN, Experian Ref: CSN Explained, Section 4, Note 2

Private housing and infrastructure are forecasted to have the strongest annual average growth rates, at 6.9% and 5.4%, respectively, across the forecast period. Private housing in the region includes a £750m project to construct 4,500 homes in Leeds City Region.

Onshore construction for the £2bn Dogger Bank A started in early 2020, with offshore foundations planned to start in Q2 2022 and first generation forecast in 2023. Onshore construction commenced in autumn 2020 for Seagreen Phase 1. Offshore construction

of the two 1.2GW Dogger Bank B and C projects is scheduled to commence sequentially from 2023 and be complete by 2025 and 2026, respectively.

In September 2019, Siemens appointed Mace to support the construction of a £200m rail factory in Goole, East Yorkshire. The first phase of the development, due to open in 2023, will provide facilities for production of Siemens Mobility's next generation Inspiro trains, which have the capability to be driverless, for the London Underground's Piccadilly Line.

It is anticipated the broader development will be fully operational in 2025.

Regarding public non-housing, Leeds Teaching Hospitals NHS Trust plans for expansion at the Leeds General Infirmary have been given planning permission for a project that involves the construction of two new buildings on the site of the Old Nurses' home, at the cost of £650m. Planned completion is currently 2025.

The level of output growth in Yorkshire and Humber gives an annual average increase of 1.1% in the construction workforce, which slightly exceeds the UK-wide equivalent at 1.0%. This means that the estimated workforce of 211,600 at the end of 2020 is set to increase to 223,900 by the end of 2025, which exceeds its 2019 levels by 4.0%.

TOTAL WORKFORCE BY OCCUPATION - YORKSHIRE AND HUMBER	Actual	Estimate	Forecast	
	2020	2021	2022	2025
Senior, executive and business process managers	13,200	13,300	13,400	13,500
Construction Project Managers	3,400	3,400	3,400	3,500
Other construction process managers	15,900	16,100	16,200	16,500
Non-construction professional, technical, IT and other office-based staff	29,900	30,500	30,900	31,500
Construction Trades Supervisors	3,600	3,700	3,800	4,000
Wood trades and interior fit-out	21,200	21,500	21,700	22,100
Bricklayers	5,700	6,100	6,100	6,300
Building envelope specialists	8,200	8,700	8,900	9,300
Painters and decorators	6,500	6,500	6,600	6,700
Plasterers	5,600	5,700	5,700	5,800
Roofers	5,300	5,200	5,200	5,200
Floorers	2,200	2,200	2,200	2,200
Glaziers	3,500	3,500	3,500	3,400
Specialist building operatives nec*	4,700	4,600	4,600	4,500
Scaffolders	2,400	2,400	2,400	2,400
Plant operatives	1,400	1,400	1,500	1,600
Plant mechanics/fitters	3,600	3,700	3,700	3,800
Steel erectors/structural fabrication	2,400	2,400	2,500	2,700
Labourers nec*	7,300	7,500	7,600	7,900
Electrical trades and installation	15,000	15,300	15,500	16,000
Plumbing and HVAC Trades	14,400	14,400	14,400	14,300
Logistics	1,600	1,600	1,700	1,700
Civil engineering operatives nec*	2,900	2,900	3,100	3,300
Non construction operatives	4,400	4,500	4,600	4,800
Total (SIC 41-43)	184,100	186,900	189,100	192,700
Civil engineers	4,200	4,200	4,500	4,900
Other construction professionals and technical staff	15,800	16,700	17,000	27,600
Architects	600	700	700	4,400
Surveyors	6,800	7,400	7,500	6,900
Total (SIC 41-43, 71.1, 74.9)	211,600	215,900	218,700	223,900

Source: ONS, CSN, Experian Reference: CSN Explained, Section 4, Notes 5 and 6

* Not elsewhere classified

Annual Recruitment Requirement (ARR)

Yorkshire and Humber is above the UK on the level of annual average recruitment requirement based on 2020 workforce levels, at 1.8% per year. This means the Yorkshire and Humber construction industry would have to increase current recruitment by 3,800 new workers each year to deliver the expected work between the end periods of 2020 and 2025.

The following occupations have some of the strongest recruitment requirement levels:

- Other construction professionals and technical staff (1,000 per year)
- Non-construction professional, technical, IT, and other office-based staff (450 per year)
- Senior, executive, and business process managers (400 per year).

However, there would also be some pressure on plasterers, bricklayers, civil engineering operatives nec, steel erectors/structural fabrication, surveyors and construction project managers where demand is high compared to their workforce level. For occupations that have no value, indication is that recent levels of recruitment will be able to meet future need if they are maintained.

ANNUAL RECRUITMENT REQUIREMENT BY OCCUPATION - YORKSHIRE AND HUMBER

	ARR	ARR as % of 2020 workforce
Senior, executive and business process managers	400	3.2%
Construction Project Managers	100	2.7%
Other construction process managers	100	0.6%
Non-construction professional, technical, IT and other office-based staff	450	1.5%
Construction Trades Supervisors	100	2.3%
Wood trades and interior fit-out	350	1.6%
Bricklayers	200	3.2%
Building envelope specialists	150	1.7%
Painters and decorators	-	-
Plasterers	300	5.5%
Roofers	-	-
Floorers	-	-
Glaziers	-	-
Specialist building operatives nec*	-	-
Scaffolders	-	-
Plant operatives	-	-
Plant mechanics/fitters	50	1.9%
Steel erectors/structural fabrication	50	2.9%
Labourers nec*	50	0.8%
Electrical trades and installation	100	0.7%
Plumbing and HVAC Trades	-	-
Logistics	-	-
Civil engineering operatives nec*	100	3.1%
Total (SIC 41-43)	2,500	
Civil engineers	100	1.9%
Other construction professionals and technical staff	1,000	6.4%
Architects	<50	-
Surveyors	200	2.8%
Total (SIC 41-43, 71.1, 74.9)	3,800	1.8%

Source: ONS, CSN, Experian Reference: CSN Explained, Section 4, Notes 5 and 6

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Note: values may not sum to totals due to rounding

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