

ConstructionSkills Network 2010-2014 North East

LABOUR MARKET INTELLIGENCE



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Labour Market Intelligence



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For more information about ConstructionSkills, please visit our [website](#).

ConstructionSkills is the Sector Skills Council for construction, tasked by Government to ensure the UK's largest industry has the skilled workforce it requires. Working with Government, training providers and employers, it is responsible for ensuring that the industry has enough qualified new entrants and that the existing workforce is fully skilled and qualified, as well as for improving the performance of the industry and the companies within it.



Summary - North East

Construction output in the North East is forecast to increase at an annual average rate of just 0.6% between 2010 and 2014, weaker than the UK figure of 1.7%. Growth is expected to be stronger in the repair and maintenance (R&M) sector than in new work over the forecast period, with housing R&M work particularly robust. Employment is expected to rise to around 102,500 in 2014, 4.8% above employment in 2010, although still significantly below 2008's level.



Regional comparison 2010-2014

	Annual average % change in output	Growth in total employment	Total ARR
North East	0.6%	4,660	3,190
Yorkshire and Humber	1.6%	7,040	2,220
East Midlands	2.6%	10,220	5,260
East of England	3.8%	20,760	7,350
Greater London	2.0%	3,620	3,300
South East	0.8%	-280	2,330
South West	0.4%	1,480	3,020
Wales	2.5%	10,390	5,030
West Midlands	1.5%	9,460	4,050
Northern Ireland	1.1%	1,380	720
North West	0.1%	3,190	4,100
Scotland	2.8%	21,100	7,220
UK	1.7%	93,010	47,790

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

Construction output in the North East is forecast to increase at an annual average rate of just

0.6%

between 2010 and 2014

Key findings

There are significant variations projected across the construction Over the 2010–2014 forecast period, the most buoyant sector in the North East will be the industrial sector, with an annual average growth rate of 6.4%. Work is due to start on the hinterland work related to the expansion of Teesport in 2012, and this will be a significant driver of output in the sector. However, in the short term, the public housing sector is expected to fare particularly well, growing at an annual average rate of 11% in 2010 and 2011, due to increased government funding from projects such as Kickstart. Towards the end of the forecast period, output in the public housing sector is predicted to rise only modestly, largely as a result of lower funding allocations as government spending comes under increasing pressure and the current Affordable Housing programme ends in 2011.

The private housing sector has been badly affected by the credit crunch and subsequent recession over the past few years, however recent signs of improvement will continue and lead to a modest recovery over the forecast period. Growth is expected to average 4.3% in each year to 2014, as demand conditions continue to strengthen and uncertainty over job security begins to evaporate.

The outlook for the public non-housing sector is much gloomier. It is the only sector in which output is expected to decline over the 2010–2014 period, and at a significant annual average rate of 11.4%. Government spending will come under significant pressure over the next few years as attempts are made to reduce the rapidly ballooning public deficit, and this will lead to lower availability of funding for education and health projects, among others. This will be exacerbated by the spending cuts that were expected due to government funding having been brought forward to try to ease the pain of recession.

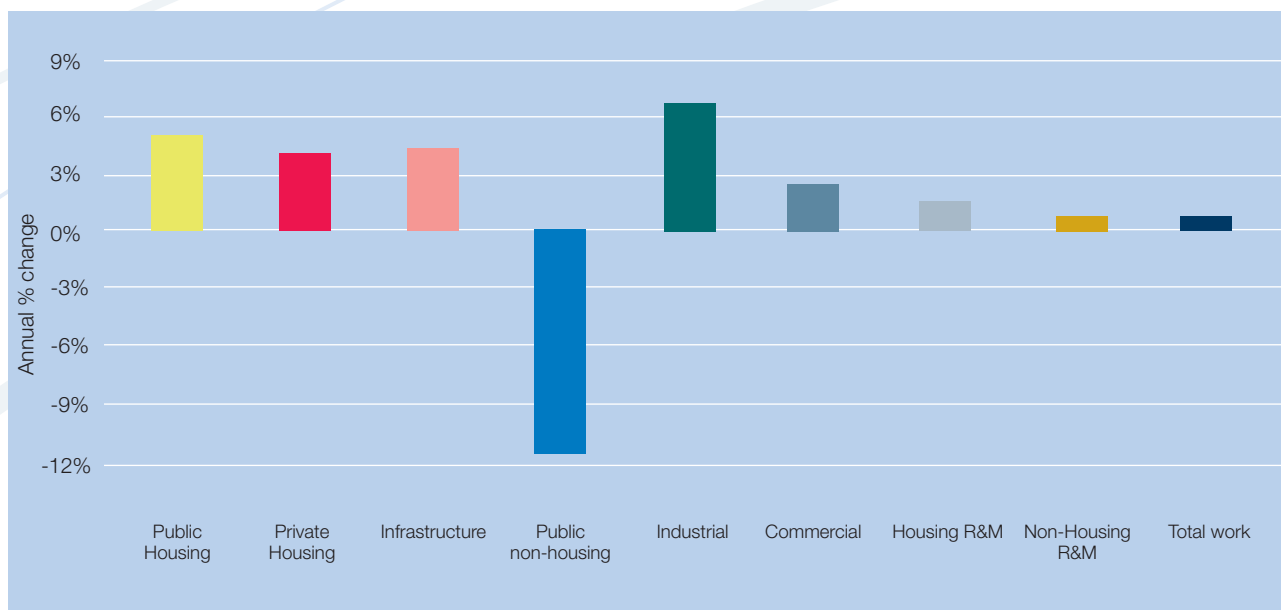
Total construction employment in the North East is predicted to reach 102,470 in 2014, 4.8% higher than 2010's level but 18% lower than construction employment levels in the region in 2008. The largest trade occupational group was wood trades and interior fit-out in 2008, which accounted for 12.7% of total construction employment, slightly higher than the UK figure of 11.2%. The strongest employment growth between 2010 and 2014 is expected to be for labourers nec* (27%) and civil engineering operatives nec* (23%).

The annual recruitment requirement for the region is 3,190, with labourers nec* (550) and bricklayers (510) expected to be the most in demand.



The Sage, Gateshead

Annual average construction output growth 2010-2014 - North East



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

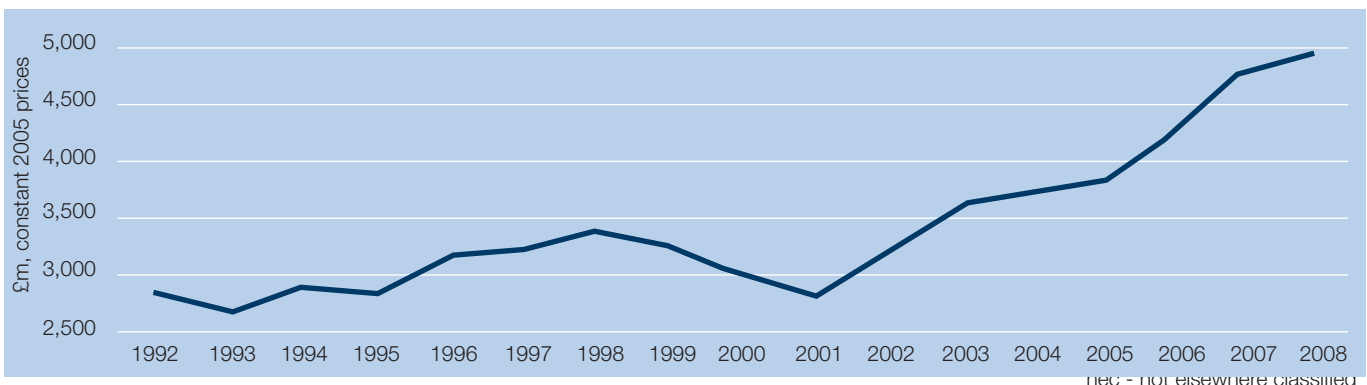
2 The outlook for construction in the North East

2.1 Construction output in the North East – overview

In 2008, construction output in the North East totalled just under £5bn, in 2005 prices, 7% above 2007's figure. Growth was stronger in the repair and maintenance (R&M) sector, with output rising by 9%, compared with a 6% increase in new work output. This was largely driven by a 17% rise in housing R&M output, partly due to consumer spending holding up unexpectedly well during the beginning of the recession.

The strongest growth was seen in the public non-housing sector, where output rose by 59% from a year earlier. Work was underway on a number of Building Schools for the Future (BSF) projects in the region, including Newcastle and South Tyneside and Gateshead. Output also rose in the commercial sector, increasing by 25% to a record high of just over £1bn, reflecting work commencing on a number of PFI health and education schemes. The public housing sector saw output fall, rather surprising as the 2008–2011 Affordable Housing Programme (AHP) is well under way. Output totalled £79m, a four-year low, and 24% below 2007's figure.

Construction output 1992-2008 - North East



Source: ONS
ref. CSN Explained, Section 4, Note 1

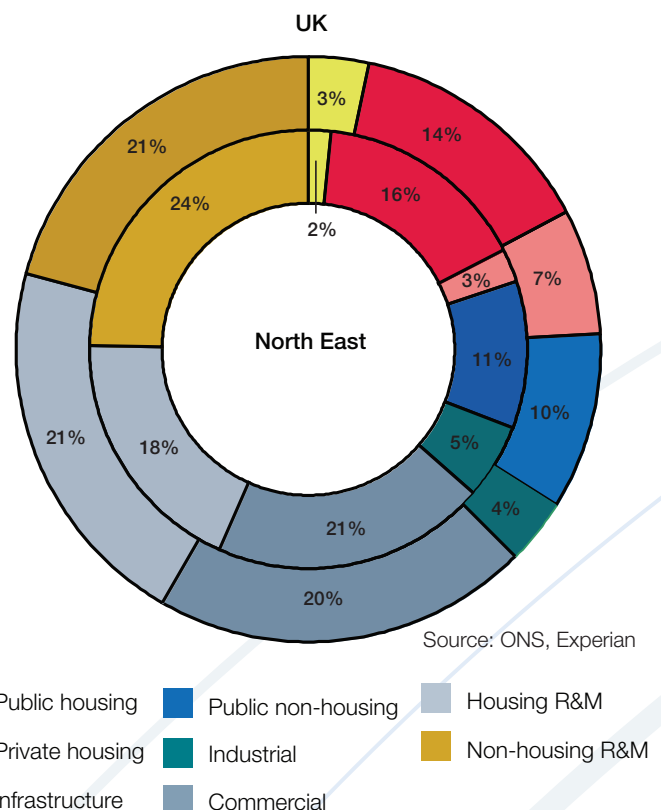
2.2 Industry structure

The diagram, Construction Industry structure 2008 – UK vs. the North East, shows the sector breakdown of the industry in the North East compared to that in the UK. The percentages show what proportion of total construction output each sector accounts for.

One of the major differences between the structure of the construction sector in the North East and that of the UK is the relatively small contribution of infrastructure to the construction sector in the region. It accounts for just 3% of construction output in the North East, compared with the UK figure of 7%.

In the North East, the R&M sectors account for the same proportion of construction output than in the UK, at 42%. However, in the region housing R&M is relatively less important than the national figure (18% vs. 21%), whilst non-housing R&M is relatively more important (24% vs. 21%).

Construction industry structure 2008 - UK vs. North East



Economic structure - North East (£ billion, 2005 prices)

Selected Sectors	Actual	Forecast Annual % change, real terms					
	2008	2009	2010	2011	2012	2013	2014
Public services	10	-0.2	1.1	0.8	0.4	0.3	0.6
Financial and business services	7	-6.3	-2.4	-0.4	0.5	1.0	1.3
Transport and communications	2	-9.1	-2.6	0.7	1.6	1.8	2.0
Manufacturing	6	-14.4	0.2	1.4	0.6	0.5	0.6
Distribution, hotels and catering	5	-6.4	2.3	2.6	2.6	2.5	2.2
Total Gross Value Added (GVA)	39	-6.8	0.5	1.1	0.7	0.7	1.0

Source: Experian
Ref. CSN Explained, Section 4, Note 3

2.3 Economic overview

The expected performance of a regional or national economy over the forecast period (2010–2014) provides an indication of the construction sectors in which demand is likely to be strongest..

2.4 Economic structure

Total gross value added (GVA) in the North East was £38.6bn (in 2005 prices) in 2008, just 0.9% higher than in the previous year. GVA in the region accounted for around 3% of the UK total.

The largest sector in the North East during 2008 was public services, taking a 27% share of output. This was a significantly higher proportion than in the UK as a whole, where the public services sector accounted for less than 22% of output. However, the public services sector's importance to the North East economy has been declining since the beginning of the decade, when it accounted for around 30% of output.

The manufacturing sector is relatively more important in the region than it is in the UK as a whole, taking a 17% share of output compared with the UK figure of 12%.

2.5 Forward looking economic indicators

GVA growth in the North East is expected in each year of the forecast period, albeit only moderately, and the average annual growth over the 2010–2014 period is expected to be 0.8%. By far the strongest growth is expected in the distribution, hotels and catering sector, with

an annual average growth rate of 2.5%. Annual average growth rates in the remaining sectors are expected to be lacklustre at best, in line with total GVA. The financial and business services sector is, in fact, expected to see a very negligible annual average decline of 0.04%.

Household disposable income is expected to rise by around 4.7% between 2010 and 2014, much weaker than in the UK as a whole. However, household spending is forecast to rise more strongly than disposable income, with an average growth rate of 1.5% per year over the 2010–2014 period. Given the relatively muted performance forecast for the North East economy, it is unsurprising that the outlook for employment between 2010 and 2014 is weak. Employment is expected to continue to decline in 2010, and not see improvement of any note until 2012.

According to the Department for Communities and Local Government (DCLG), the average house price in the North East fell by 2.4% to £144,528 in 2008. This was a stronger decline than in the UK as a whole, where house price deflation was 1.1% in 2008. Average house prices in the North East began to fall, year-on-year, in the third quarter of 2008, with rates of decline accelerating until the second quarter of 2009. In the three months to September 2009, annual house price deflation slowed to 5.9%, from 12.1% in the previous quarter.

House prices in the region are expected to continue to fall in 2010, in contrast to the UK as a whole, although the UK is only predicted to see a marginal increase. Rates of house price inflation in the North East are expected to remain well below the levels seen in the first half of the decade over the forecast period to 2014

Economic indicators - North East (£ billion, 2005 prices - unless otherwise stated)

	Actual	Forecast Annual % change, real terms					
	2008	2009	2010	2011	2012	2013	2014
Real household disposable income	30	0.9	1.1	1.6	0.5	0.3	1.0
Household spending	29	-3.4	-0.4	1.7	2.0	1.9	2.0
Debt:income ratio	1.2	-1.6	-3.0	-4.1	-2.3	-0.6	-0.6
House prices (£'000, current prices)	145	-8.4	-1.7	0.5	2.0	1.2	0.9
LFS unemployment (millions)	0.10	23.1	19.9	-3.8	-11.5	-14.7	-10.2

Source: ONS, DCLG, Experian

New work construction orders - North East (£ million, current prices)

	Actual 2008	2004	Annual % change 2005	Annual % change 2006	2007	2008
Public housing	66	55.0	45.6	-17.5	78.3	-25.5
Private housing	338	33.8	1.8	12.1	37.0	-52.2
Infrastructure	69	-13.0	34.0	16.0	-11.9	-47.2
Public non-housing	492	18.6	13.4	-37.4	19.7	100.5
Industrial	177	-14.5	84.0	57.2	-18.7	-20.2
Commercial	601	-5.4	111.4	-36.8	34.5	-4.7
Total new work	1,751	10.4	43.0	-12.3	22.0	-13.4

Source: ONS
Ref. CSN Explained, Section 4, Note 4

2.6 New construction orders - overview

In 2008, new construction orders fell 13% from 2007's record to total £1.75bn, in current prices.

The public non-housing sector bucked the declining trend, with new orders more than doubling to £492m – a record high. However, this was the only sector to record growth in new orders. At the other end of the scale was the private housing sector where new orders dropped by 52%, unsurprising considering the very weak levels of demand for housing in light of tight lending conditions. This was closely followed by the infrastructure sector, with new orders declining by 47%. However, given the relatively small size of the sector, new orders totalled just £69m in 2008, any changes are magnified in percentage terms.

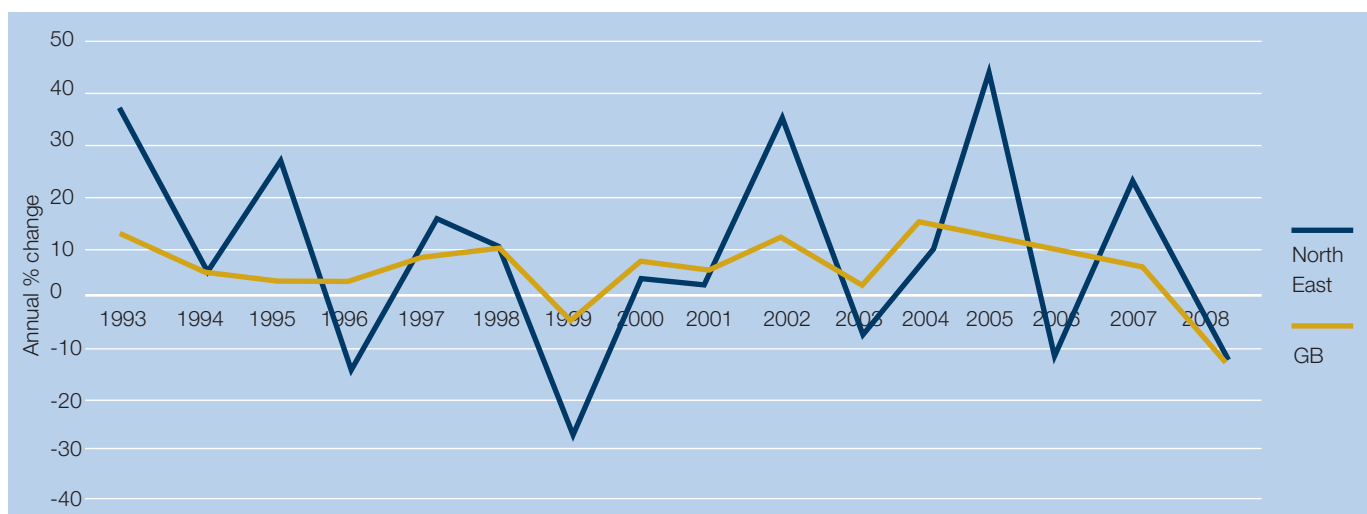
2.7 New construction orders - current situation

The decline in new construction orders accelerated in 2009. In the first three quarters of the year total new orders fell by 56% from the same period of 2008 while new orders totalled just £653m in the nine months to September 2009.

This overall trend disguised variations across the sectors. The public housing and infrastructure sectors were the only two to see growth in new work orders in the first three quarters of 2009. The infrastructure sector recorded new orders totalling £59m over that period, 66% higher than in the same period of 2008. New public housing orders rose by a more modest 13% to £52m.

The industrial and commercial sectors were the worst affected. New industrial orders 'fell off a cliff' in the nine months to September 2009, totalling just £25m, 84% below the same period of 2008. The outturn of just £6m in the third quarter of the year was a historic low. The fall off in commercial new orders was not much better, totalling £164m, they were 68% lower than a year earlier.

New construction orders growth 1993-2008 - North East vs. GB



Source: ONS
Ref. CSN Explained, Section 4, Note 4

2.8 Construction output – short-term forecasts (2010–2011)

Regional Office for National Statistics (ONS) output statistics are published in current prices and are thus inclusive of any inflationary effect. At the time of writing, ONS construction output statistics are only available for the first two quarters of 2009.

Construction output fell by 20%, from a year earlier, in the North East in the first half of 2009, to total £2.1bn, in current prices. This was also 21% below the previous half year's figure. As was the case across most of the UK, new work output fell at a sharper rate than repair and maintenance, with annual declines of 23% and 16%, respectively. Total construction output in the region is estimated to have fallen by 19% in 2009 in real terms.

The outlook for the North East in the short term is very weak. Overall construction output growth is not expected to return to the region until 2011, and even then it is likely to be weak. Output is forecast to decline at an annual average rate of 0.4% between 2010 and 2011.

This annual average decline in output is largely due to a poor performance from the R&M sector, with output expected to fall at an annual average rate of 1.9%. In contrast, new work output is forecast to stagnate in 2010 before seeing modest growth of 2% in 2011, giving an annual average rate of +0.7%.

There are substantial variations in performance across the sectors in 2010 and 2011. The public housing sector is expected to be the most buoyant and double-digit output growth is forecast for both 2010 and 2011. Funding allocations have been filtering through under the Affordable Housing Programme, in addition to recently announced government investment, such as the Kickstart Delivery programme, whose aim is to help stalled mixed-tenure developments restart. This will drive output in the sector in the short term. As of the end of November 2009, eleven schemes had been allocated Kickstart funding of nearly £49m in the North East, which should unlock the development of over 830 new homes.

Following two years of decline, the private housing sector is expected to return to growth in 2010, as market conditions begin to see a more sustained improvement. The annual average growth rate for 2010–2011 is expected to be 5.2%.

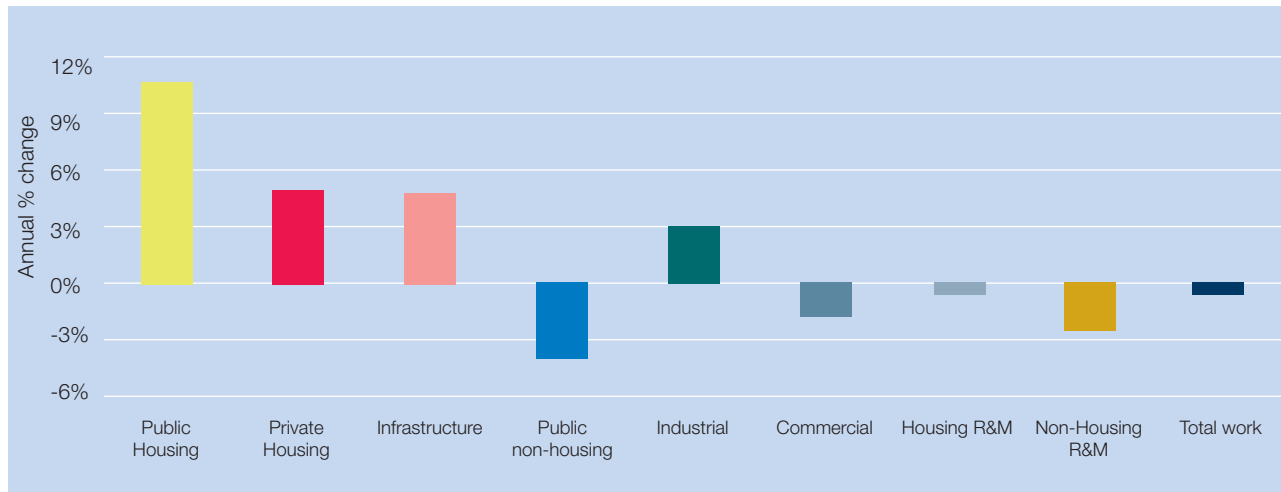
The public non-housing sector has fared well over the past couple of years, largely as a result of Building Schools for the Future (BSF) work, although this is set to change. The North East has four schemes in the first two waves of the BSF, all of which are currently on site, however only one scheme, in Durham, due to start in Waves 3 and 4. Output is expected to stagnate in 2010 before declining by 7% in 2011. Public spending is already coming under increasing pressure and funding cuts are inevitable after the 2010 election.

Construction output - North East (£ million, 2005 prices)

	Actual	Forecast annual % change			Annual average
	2008	2009	2010	2011	2010-2011
Public housing	79	13%	10%	12%	11.0%
Private housing	790	-30%	4%	6%	5.2%
Infrastructure	128	2%	3%	8%	5.3%
Public non-housing	536	16%	0%	-7%	-3.7%
Industrial	272	-49%	0%	7%	3.2%
Commercial	1,021	-28%	-6%	2%	-1.8%
New work	2,825	-20%	0%	2%	0.7%
Housing R&M	914	-22%	-2%	0%	-0.6%
Non-housing R&M	1,236	-17%	-4%	-1%	-2.8%
Total R&M	2,150	-19%	-3%	-1%	-1.9%
Total work	4,975	-19%	-2%	1%	-0.4%

Source: Experian
Ref. CSN Explained, Section 4, Notes 1 and 2

Annual average construction output growth 2010-2011 - North East



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

2.9 Construction output – long-term forecasts (2010–2014)

Annual average construction output growth is forecast to be just 0.6% in the North East between 2010 and 2014. This is lower than the UK figure of 1.7% and one of the weakest in the country. The R&M sector is expected to see a slightly stronger annual average growth rate of 0.9%, compared with a figure of just 0.3% for new work.

As is true across most of the UK, the public non-housing sector is the only new work sector predicted to see falling output over the forecast period. Output in the sector is expected to decline in each year from 2011, with an annual average rate of contraction of 11.4% over the period to 2014. Government expenditure is already under a large amount of pressure and, with significant amounts of investment brought forward to help the economy during the recession, cuts in available funding are inevitable.

However, the public housing sector is forecast to see one of the stronger annual average growth rates over the period, which is largely due to significant growth in the earlier part of the period. The annual average growth rate is forecast at 5.1%, although the rate of increase in the last few years of the 2010–2014 period is expected to be weak, as it is highly unlikely that any future AHP will have an increased level of funding compared to the current 2008 to 2011 level.

The strongest performance is expected in the industrial sector, with an annual average growth rate of 6.4%. The sector has been particularly badly hit over the past couple of years, with the global recession and its impact on manufacturing coinciding with the natural end of the warehousing boom. Output, having fallen so sharply, is expected to stagnate in 2010 and then return to growth in 2011. The assumption is that work starts on the expansion of Teesport towards the end of 2010, with the hinterland development starting in 2012.

The recovery in the private housing sector is expected to be moderate. The recent improvement in housing market conditions has provided some encouragement to housebuilders, but the recovery is likely to be relatively slow and from a very low base. Growth will average 4.3% per year over the period to 2014.

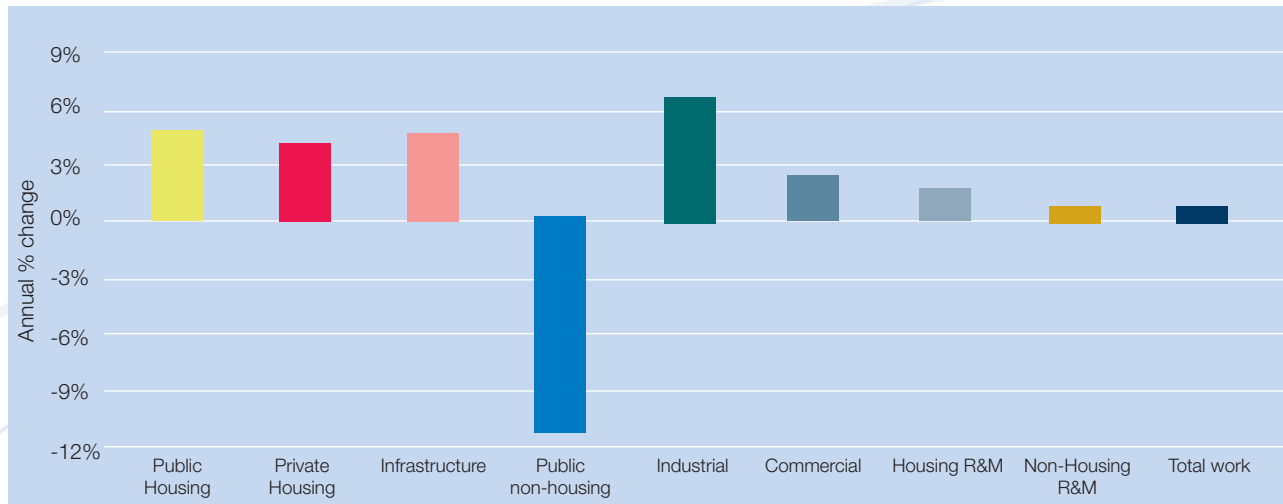
The commercial construction sector is predicted to experience only moderate growth over the whole of the forecast period. In the short term demand for office, retail and leisure facilities is likely to remain weak. However, in the medium term activity should pick up again on the major mixed-use development projects around the region, such as Middlehaven in Middlesbrough, North Shore in Stockton, and Victoria Harbour in Hartlepool, all part of the Tees Valley regeneration programme.

Construction output - North East (£ million, 2005 prices)

	Estimate	Forecast annual % change					Annual average
	2009	2010	2011	2012	2013	2014	2010-2014
Public housing	90	10%	12%	3%	1%	1%	5.1%
Private housing	553	4%	6%	5%	4%	2%	4.3%
Infrastructure	131	3%	8%	5%	4%	4%	4.6%
Public non-housing	622	0%	-7%	-18%	-18%	-12%	-11.4%
Industrial	139	0%	7%	13%	8%	5%	6.4%
Commercial	737	-6%	2%	2%	4%	8%	2.1%
New work	2,272	0%	2%	-1%	0%	2%	0.3%
Housing R&M	713	-2%	0%	2%	3%	3%	1.3%
Non-housing R&M	1,027	-4%	-1%	3%	3%	3%	0.6%
Total R&M	1,740	-3%	-1%	3%	3%	3%	0.9%
Total work	4,012	-2%	1%	0%	1%	2%	0.6%

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

Annual average construction output growth 2010-2014 - North East



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

3 Construction employment forecasts for the North East

3.1 Total construction employment forecasts by occupation

The table presents actual construction employment (SIC 45 and 74.2) in the North East for 2008, the forecast total employment in 26 occupational groups and in the industry as a whole between 2010 and 2014. A full breakdown of occupational groups is provided in Section 5 of CSN Explained.

Total construction employment in the North East is forecast to reach 102,470 in 2014, including both SIC 45 and 74.2. This figure is 5% higher than the projected total for 2010, but 18% lower than 2008's total. Construction employment in the region began to decline in 2009 and is expected to continue falling until 2011, before seeing year-on-year growth in the remaining years of the forecast period.

In 2008, the largest trade occupational group in the North East was wood trades and interior fit-out, which accounted for 12.7% of total construction employment in the region, slightly above the UK figure. By 2014 employment in wood trades and interior fit out is expected to fall by 29%, compared to 2008's figures, however it will remain the largest occupational group in the North East.

The strongest growth in employment between 2010 and 2014 among construction specific occupations is expected to be for labourers nec* (27%) and civil engineering operatives nec* (23%). These are also the two occupational groups projected to see the largest increase in absolute terms. With the North East construction sector expected to perform weakly over the 2010–2014 period, it is unsurprising that a number of groupings are forecast to see declining levels of output over the period. The most marked decline is predicted for steel erectors/structural, with a fall of 8%, with bricklayers and roofers each expected to see a 6% fall.

Total construction employment forecasts by occupation	Actual 2008	Forecast	
		2010	2014
Senior, executive, and business process managers	3,690	3,050	3,330
Construction managers	12,410	9830	10,170
Non-construction professional, technical, IT, and other office-based staff	7,920	6,530	6,860
Wood trades and interior fit-out	15,890	11,580	11,340
Bricklayers	5,210	3,870	3,650
Building envelope specialists	2,770	2,200	2,260
Painters and decorators	5,450	4,810	5,100
Plasterers and dry liners	2,610	1,840	1,790
Roofers	4,020	2,700	2,550
Floorers	1,960	1,760	1,700
Glaziers	1,650	1,490	1,590
Specialist building operatives nec*	3,970	3,300	3,440
Scaffolders	1,420	940	1,080
Plant operatives	3,000	2,350	2,760
Plant mechanics/fitters	1,900	1,660	1,700
Steel erectors/structural	2,900	1,950	1,800
Labourers nec*	5,480	4,250	5,380
Electrical trades and installation	10,050	7,840	7,410
Plumbing and HVAC Trades	10,160	7,740	7,690
Logistics	1,640	1,260	1,480
Civil engineering operatives nec*	5,930	4,320	5,320
Non-construction operatives	1,630	1,420	1,820
Civil engineers	2,690	2,310	2,660
Other construction professionals and technical staff	8,290	7,110	7,750
Architects	1,430	1,170	1,300
Surveyors	790	540	560
Total (SIC 45)	111,660	86,690	90,220
Total (SIC 45 and 74.2)	124,860	97,810	102,470

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

* nec - not elsewhere classified

3.2 Annual recruitment requirements (ARR) by occupation

The ARR is a gross requirement that takes into account workforce flows into and out of construction, due to such factors as movements between industries, migration, sickness, and retirement. However, these flows do not include movements into the industry from training, although robust data on training provision is being developed by ConstructionSkills in partnership with public funding agencies, Further Education, Higher Education and employer representatives. Thus, the annual recruitment requirement provides an indication of the number of new employees that would need to be recruited into construction each year in order to realise forecast output.

The ARR between 2010 and 2014 for the 26 occupational groups within the North East's construction industry is illustrated in the table. The ARR of 3,190 is indicative of the average requirements per year for the industry, as based on the output forecasts for the region. This takes into account 'churn', flows into and out of the industry, excluding training flows.

Labourers nec* (550) are forecast to have the largest ARR in the North East, followed by bricklayers (510) and floorers (350). As a percentage of 2010 employment, floorers are most in demand with an ARR of 20%, followed by bricklayers and labourers nec*, each with 13%.

Please note that all of the ARRs presented in this section are employment requirements and not necessarily training requirements. This is because some new entrants to the construction industry, such as skilled migrants or those from other industries where similar skills are already used, will be able to work in the industry without the need for retraining.

Non-construction operatives is a diverse occupational group including all of the activities under the SIC 45 and SIC 74.2 umbrella that cannot be classified elsewhere, such as cleaners, elementary security occupations nec and routine inspectors and testers. The skills required in these occupations are highly transferable to other industries and forecasting such movement is hazardous given the lack of robust supportive data. Therefore the ARR for non-construction operatives is not published.

Finally, for certain occupations there will be no appreciable requirement over the forecast period, partly due to the recession creating a 'pool' of excess labour.

ARR by occupation	2010-2014
Senior, executive, and business process managers	-
Construction managers	70
Non-construction professional, technical, IT, and other office-based staff	270
Wood trades and interior fit-out	240
Bricklayers	510
Building envelope specialists	70
Painters and decorators	240
Plasterers and dry liners	70
Roofers	-
Floorers	350
Glaziers	<50
Specialist building operatives nec*	210
Scaffolders	<50
Plant operatives	70
Plant mechanics/fitters	<50
Steel erectors/structural	-
Labourers nec*	550
Electrical trades and installation	270
Plumbing and HVAC Trades	-
Logistics	-
Civil engineering operatives nec*	70
Non-construction operatives	-
Civil engineers	70
Other construction professionals and technical staff	-
Architects	<50
Surveyors	-
Total (SIC 45)	3,100
Total (SIC 45 and 74.2)	3,190

Source: CSN, Experian
Ref. CSN Explained, Section 4, Notes 5 and 6

* nec - not elsewhere classified

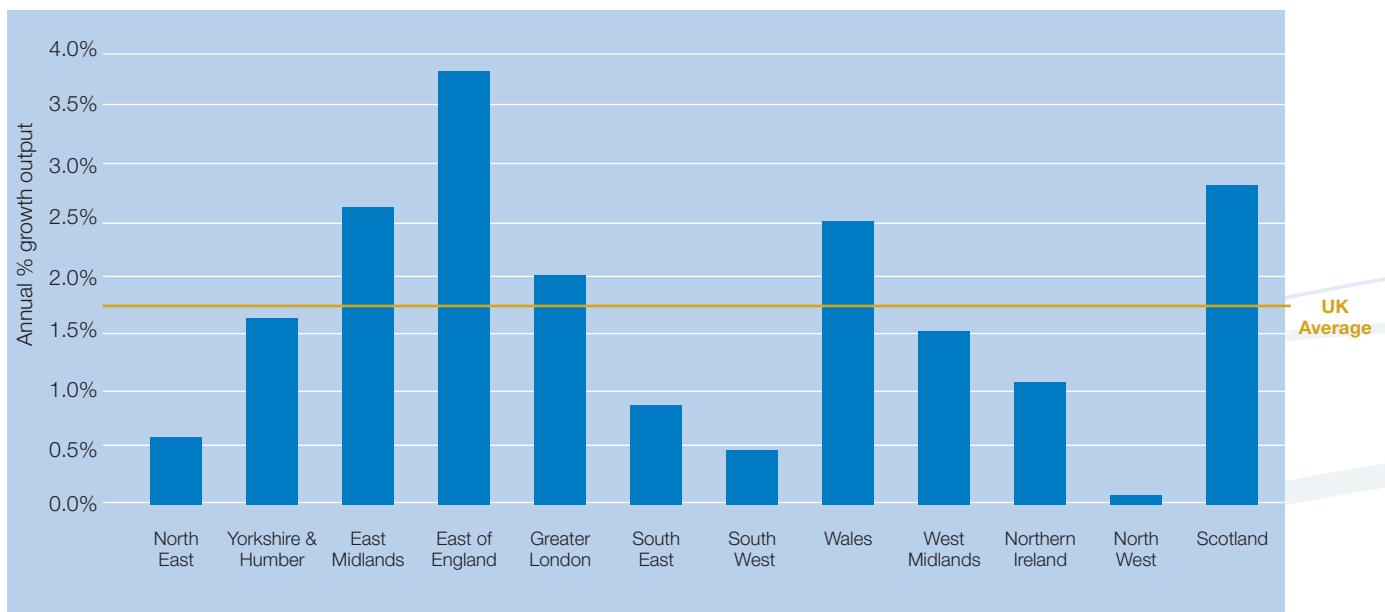
4 Comparisons across the UK

Construction output is forecast to rise across all of the regions and devolved nations between 2010 and 2014. The North East is expected to be one of the poorer performing regions and nations; the annual average growth rate of just 0.6% is stronger than only the North West and South West, and below the UK figure of 1.7%.

The infrastructure sector should be the best performing new work sector in the UK with Greater London's infrastructure output growth predicted to be especially strong, driven by work on Crossrail, Thameslink, and the Thames Water programme. The East of England could have a double-digit growth rate as well, however in the North East, infrastructure output is not expected to be particularly strong. With the exception of the expansion of Teesport, there are few major projects in the pipeline and work on the New Tyne Crossing is due to finish in 2011.

The inevitable public expenditure cuts which are on the horizon will substantially affect the public non-housing sector, particularly programmes of work such as Building Schools for the Future (BSF). No region or devolved nation will be unaffected by prospective cuts and how badly is dependant on their exposure to such programmes as the BSF relative to the overall size of their public non-housing market. The North East has seen strong growth in public non-housing output in recent years, largely as a result of BSF work, and is thus likely to be significantly affected by funding cuts. Double-digit declines in output in the sector are expected towards the end of the forecast period.

Annual average output growth by region 2010 - 2014



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

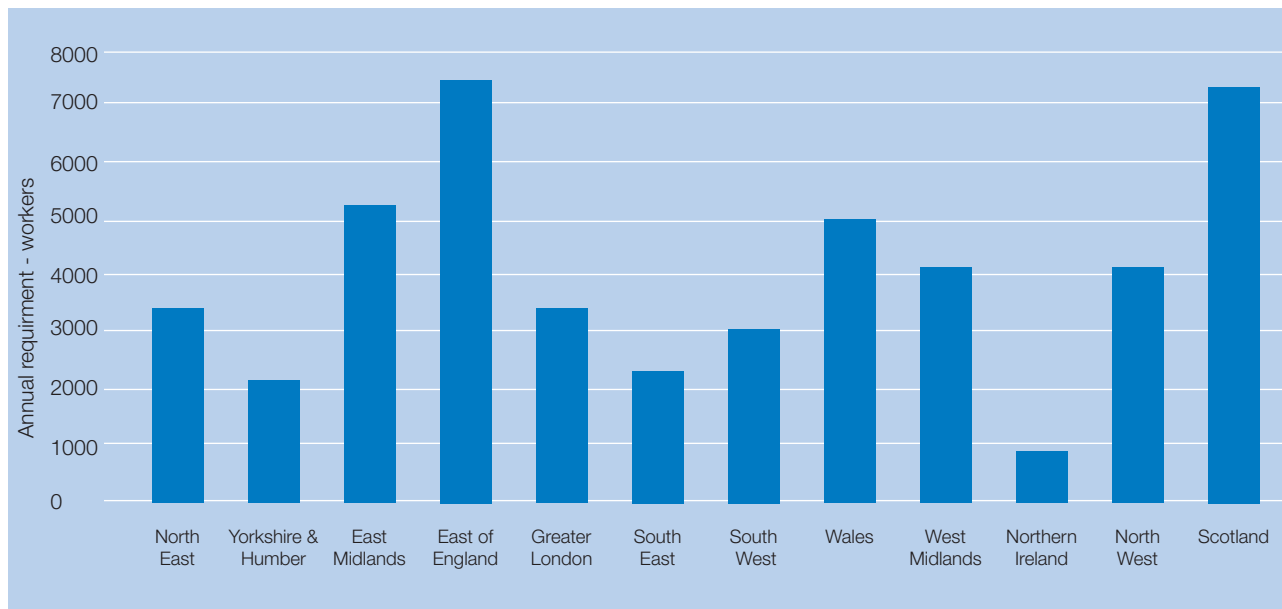
The North East is expected to be one of the poorer performing regions and nations with an average growth rate of

0.6%

The housing market is expected to begin its recovery in earnest in 2010 in the UK as a whole as economic conditions improve and there is a more sustained recovery in demand. However, there are some regions and devolved nations where demographic factors are stronger, such as the East Midlands and the East of England, which are expected to experience high levels of household formation over the long term, and will thus see more robust growth than others. Private housing output in the North East will increase at a moderate rate over the forecast period.

Construction employment in the North East is forecast to increase by 4,660 between 2010 and 2014, one of the smallest increases across the regions and devolved nations, although this is mainly due to the fact that the industry in the region is relatively small. The region's ARR is also one of the lowest at 3,190. That is not surprising considering that construction output growth over the 2010–2014 forecast period is expected to be rather anaemic. However, it is not much smaller than that for Greater London, at 3,300, despite the capital's construction market being much larger than the North East's. A significant reason for this is that London tends to pull in workers from other parts of the country, including the North East, and thus has a relatively small ARR above its normal flows, while the reverse is true for the North East.

Annual recruitment requirement (ARR) by region 2010 - 2014

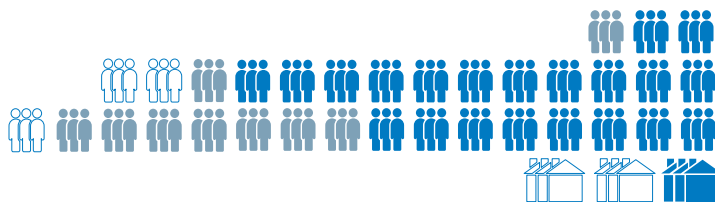


Source: CSN, Experian



The housing market is expected to begin its recovery in earnest in

2010.



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