OVERVIEW OF THE CONSTRUCTION INDUSTRY IN THE UK

- Ranked as the 6th largest construction sector in the world, the UK’s construction industry is a major contributor to the domestic economy.

- It employs approx. 3 million people, equivalent to 10% of all UK jobs.

- It is a highly prioritised industry with a pledge from the Government to build 1,000,000 homes by 2020 and another 500,000 in the subsequent two years.

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INDUSTRY STRUCTURE

The construction industry is characterised by a high degree of fragmentation, with over 280,000 businesses operating in the industry, and a majority of these qualifying as SMEs.

- In the residential building segment, the four largest operators are expected to account for 26.9% of industry revenue in 2016-2017.

- The commercial building segment shows even higher fragmentation with the four largest contractors estimated to generate just 18.7% industry revenue in 2016-17.

SOURCE: IBIS, GOV.UK, ONS, FINANCIAL TIMES
THE GOVERNMENT CONSTRUCTION STRATEGY

- On the demand side, the British government is the single largest client and thereby exercises great influence over the industry, responsible for approximately a quarter of the total output. This is explained by the government's long-term approach to improve the UK's infrastructure.

- In July 2013, the UK Government published their industrial strategy for the construction sector *Construction 2025*, which outlines priority areas:

  - Smart construction and digital design
  - Low carbon and sustainable construction
  - Global trade
  - Image of the industry
  - Skills and capabilities
  - Future work opportunities
  - Supply chain
  - Research and innovation
In 2016, the government updated the Government Construction Pipeline announcing its plans for projects worth £163 billion, including large projects such as HS2, the new North South High Speed Rail, as well as the affordable homes programme. Furthermore, the overview of total investments from 2016/2017 to 2020/2021 has a worth of approximately £300 billion.

Given the key role of the construction industry to the UK economy, the low entry cost as well as the number of large scale projects in the pipeline – participation in the industry will bring both challenges and opportunities that show great potential for Swedish companies interested in the UK.

OPPORTUNITIES
- Low carbon construction
- Business Intelligence Modelling technologies
- Cost reduction

CHALLENGES
- Finding skilled workforce
- Lack of career attraction
- Low levels of innovation
- High construction costs due to inefficiency
CURRENT OUTLOOK FOR THE UK CONSTRUCTION INDUSTRY

- The construction industry is currently at its highest growth level in 18 months with public and private housebuilding accounting for the strongest part over the past year.
- Looking ahead, the construction industry may face a period of volatile industry workload and structural change as the UK negotiates its exit from the European Union. Therefore, investing in workforce skills, increased productivity and cost-cutting measures will be the main priorities for firms responding to evolving market conditions.
- Despite market volatility, the outlook is positive for several industry segments, with residential building and commercial building revenues expected to grow by 3.1% and 3.0% respectively by 2023.

SOURCE: IBIS, ONS, FINANCIAL TIMES, IHS MARKIT
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