



CONSTRUCTION IN THE UK

REGAINING CONFIDENCE BRICK BY BRICK

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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

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



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

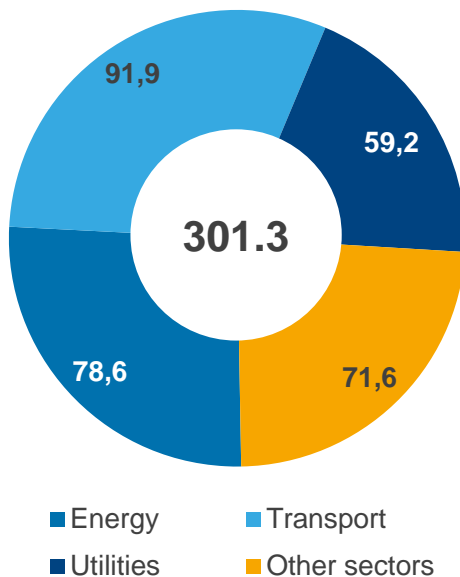


Research and innovation



THE GOVERNMENT CONSTRUCTION STRATEGY

Total Investments (£bn)



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

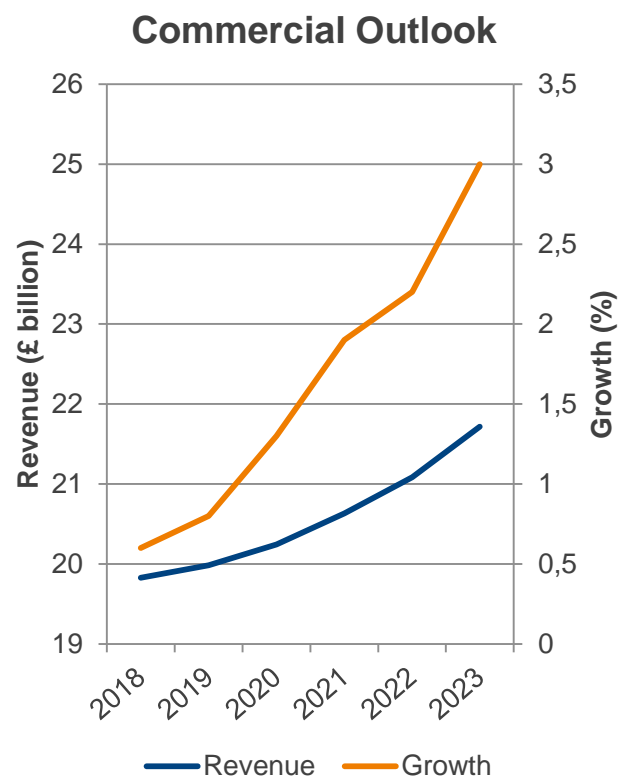
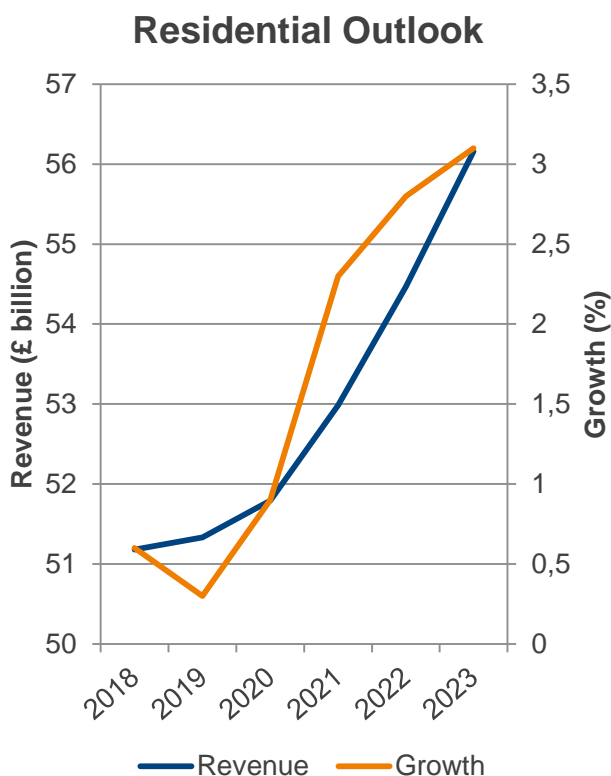
CHALLENGES

- ▶ 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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