

Housebuilding in UK advances

Yesterday the construction figures came out . They showed total output up 1.6% over the last year (3 months on 3 months average) . Within that total private sector housebuilding was well ahead. Private commercial work was down. Overall construction output was 27.6% higher than in January 2013, the five year low point. Those who point out the three month on previous three month figure was down are giving a misleading impression, as there is always a seasonal impact during the winter.

Persimmon, a leading housebuilder, on Tuesday announced it had increased its forward sales of homes by 10% in December, rounding off a year of growth. Other UK housebuilders too have reported increased build rates and sales. Persimmon's completions for the year were up 6% at 16043 new homes. The long recovery from the pre banking crash levels is now well advanced.

At the same time as the building industry steps up its output there needs to be increased capacity for building materials. The UK is importing too much, when these products have high transport costs and can be well made nearer the point of use. Persimmon has just put in a new brick plant at Harworth to produce 80 m bricks a year. Ibstock, one of the UK's leading brick makers, has also built a new factory to make 100m bricks a year and is expanding the output at its Lodge Lane facility in Cannock as well. These investments will expand UK brick output by around 10%.

There are import substitution and growing market opportunities in concrete blocks, cement, prefabricated timber sections and roof tiles, as well as in the interior fitting out with kitchen and bathroom units, plumbing and electrical systems. The strength of the underlying market to buy a new home can underpin a wider recovery in the building industry.