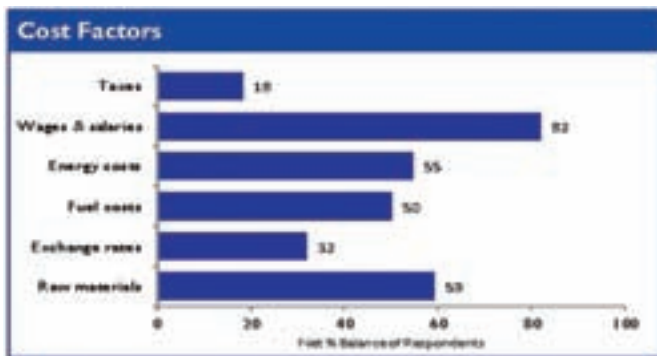


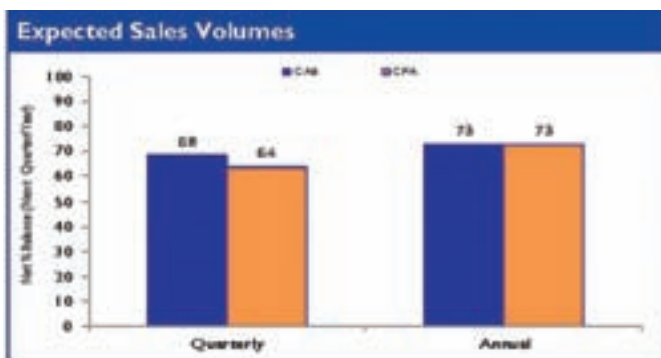
# Confidence ahead

The Q4, 2018 CAB *State of the Market Survey* saw a dramatic rise in confidence for sales growth in the next 12 months. With construction growth continuing to be driven by private housing and infrastructure, the key highlight was that 73% net balance of members forecasted growth in sales over the next 12 months (41% in Q3). It would seem reasonable to say that the market has looked beyond the uncertainty surrounding Brexit although one also has to consider that a few companies may have been increasing stock levels.

The figures become even more interesting in that in Q4, 45% of CAB members saw growth of more than 5% compared to Q3, 18% saw growth of up to 5% with 27% no change. Only 9% saw a decline and in all cases this was by less than 5%.



Continued demand for skilled labour placed upward pressures on wages and salaries with 82% net balance of members highlighting it as a key cost factor. Although the annual CPI inflation rate fell to a two year low of 2.1% in December from 2.3% in November, pressures persisted for members. Raw materials (59% net balance) and lingering high costs for fuel (50% net balance) also continued to exert upward pressure on manufacturers input costs.



Looking ahead for the year, CAB members expected overall cost inflation to persist with 86% net balance expecting increases in the next quarter and 95% net



Justin Ratcliffe addressing members at the Library of Birmingham in November 2017

balance expecting increases over the next 12 months.

Demand was reported to be the key constraint on sales growth over the next 12 months – reported by 59% of CAB members. The other major constraints were labour availability, material supply and raw materials (each 5%). However, 9% of members reported no constraints.

Higher sales in the 2nd half of 2018 coupled with improved expectations for the year ahead encouraged CAB members to continue hiring in Q4. In Q4, 55% net balance forecasted an increase in headcount during 2019.

Overall capacity levels were reported to be sufficient in Q4 given sector output and demand. 19% of members reported that they had operated at between 90% and full capacity over the last 12 months. In a year's time, capacity utilisation is expected to be 90% or higher according to 29% of members.

Once again there was a very positive view of capital investment over the next 12 months which has become a very strong feature of the CAB *State of Market Survey*. In Q4, plant and equipment was the focus for the year ahead with 62% of members anticipating an increase in this area. Furthermore, balances of 57% expected to see increase investment in both product improvement and e-business. This was followed by balances of 52% for increased investment in property and 24% for customer research. R&D was the only metric where members forecasted slightly less investment (14% net balance) in the year ahead compared to the previous year (24% net balance). □

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If you are interested in joining CAB or would like more information, then contact Jessica Dean at the CAB office on 01453 828851 or email [jessica.dean@c-a-b.org.uk](mailto:jessica.dean@c-a-b.org.uk)