

Against all the odds

The latest Q1, 2018 CAB State of the Market Survey highlights that confidence in the future remains in terms of expected sales volumes increasing for the next quarter, 80% net balance (47% in Q4) and the next 12 months, 79% net balance (same as Q4). This is despite weather-related disruption in the last quarter and ongoing economic and political uncertainties relating to Brexit

Construction growth over the past year has been driven by private housing, infrastructure and private housing RM&I which has benefitted most product manufacturers. 43% of CAB members reported significant rises in sales (rises of over 5%), compared to a year earlier and 29% reported that sales had increased by up to 5% over the same period.

Demand was again reported as the key constraint on sales growth over the next year. 80% of members reported that demand was likely to be the key constraint compared to 63% in Q4. The other constraints, both under 10% net balance were labour availability and raw material prices. 7% claimed that there were no constraints.

Although the annual CPI inflation rate fell to 2.7% in February from 3.0% in January, it remains above the Bank of England's 2% target. In Q1, costs increases were reported by 60% of members, on balance, compared to

costs and taxes as important drivers for members.

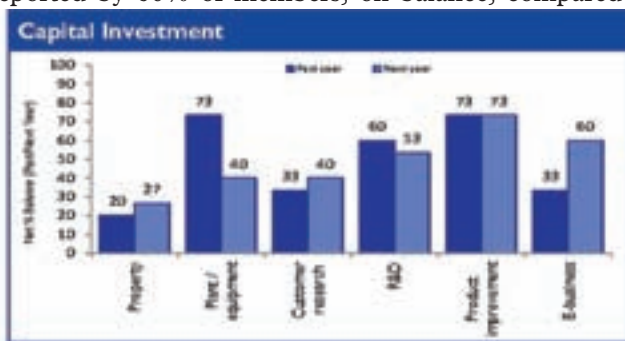
In the year to Q1, capacity remained sufficient. 20% of members reported that they had operated at between 90% and full capacity over the last 12 months, down marginally from 21% in Q4. In 12 months' time, capacity utilisation is anticipated to be 90% or higher according to 20% of members.



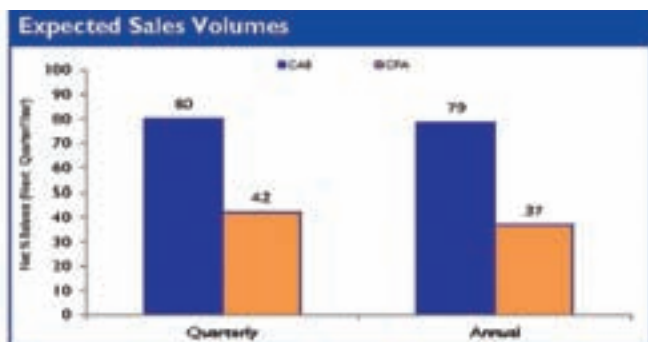
Justin Ratcliffe

In Q1, on balance, 40% and 27% of members reported that investment in customer research and property was higher than a year earlier. The balance for e-business (60%) was nearly double that of the previous year (33%), while product improvement remained very high at 73%, the same as the previous year. The balance for R&D at 53% for the next 12 months was slightly lower than the previous year (60%).

Despite the continually positive sales expectations for the year ahead, employment data for the sector remains more or less unchanged from Q4. In Q1, 40% of members on balance reported that employment rose from a year earlier (47% in Q4), while 47% anticipated increasing headcount during the next 12 months (42% in Q4). □



95% in Q4. Looking ahead, members' cost pressures are expected to continue over the next quarter (67%) and the next year (80%). The key drivers of cost inflation in Q1 were wages and salaries (87% net balance), followed by



raw materials and fuel costs (80% and 60% respectively). These increases were linked to the weak sterling, rising global oil prices and higher demand for skilled labour. The results, which mirror the trends in Q4, also cited energy

Forthcoming CAB Events

- 28 June 2018 – CAB AGM, Dinner & Golf Day – Forest of Arden Hotel, Warwickshire
- June/July 2018– CAB Contracts Seminar – 'NEC/JCT Contracts' – Manchester
- September 2018 - CAB Contracts Seminar – 'Design Liability' – Northamptonshire
- 17 October 2018 – CAB Regional Members' Meeting – SS Great Britain, Bristol
- November 2018 – CAB Contracts Seminar – '20 Contractual Nightmares' Herfordshire

For further information on joining CAB (www.c-a-b.org.uk) or to find out more about our events, please contact Jessica Dean at the CAB office on 01453 828851 or email jessica.dean@c-a-b.org.uk