

## Recent growth figures may provide renewed optimism, but the construction sector is still far from full recovery

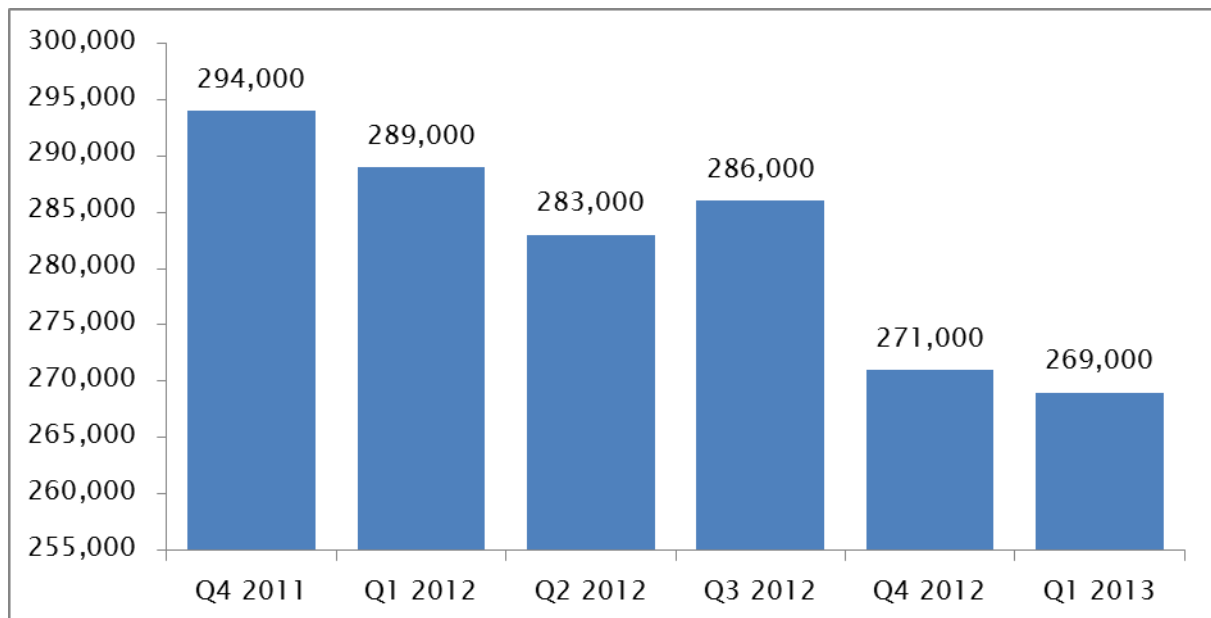
- **New housing projects providing a crucial boost to the sector**

Recent growth figures may suggest a glimmer of hope for the construction sector, but there is still a long way to go before the sector is firing on all cylinders, says NoPalaver Group, a leading provider of accounting services to contractors.

NoPalaver says that fluctuations in the number of individual contractors within the construction industry show the extent of the instability in the sector over the last two years. The number of individual contractors fell from a peak of 294,000 in December 2011, to 289,000 in March 2012 and fell further to 269,000 in March 2013.

NoPalaver explains that an increase in the number of contractors is a good early indicator of a revival in the sector as professional-level contractors often play an important part in the early stages of a construction project.

### Number of individual contractors within the construction sector\*



Graham Jenner, Director at NoPalaver, says: “An increase in the number of contractors would be a good sign of work picking up in the sector. However, the number of contractors actually decreased over the last few months, which suggests that the sector is still very fragile.”

“While recent growth within the sector is great news, it is important to note that this was preceded by a deep decline the quarter before. The construction industry is clearly still very volatile, and the Government needs to make sure it is doing what it can in order to ensure that this crucial sector recovers to robust health.”

“The number of individual contractors surged in London in 2011-12, as a large workforce was required to complete Olympic construction projects. Since then, we have seen a fall in big commercial projects, with major London projects like the Can of Ham and the Pinnacle put on ice.”

Graham Jenner adds: “Outside of London we haven’t seen much large-scale construction activity being carried out all, as there simply isn’t the demand.”

ONS figures show that an increase in construction sector output outpaced GDP growth in the most recent quarter\*\*, however, the construction sector was rebounding from the start of the year when output was at from its lowest level since 1998. GDP increased by 0.6% in Q2 2013, while output in the construction sector increased by 0.9%, following a 5% shrink in Q1 2013.

### Housing sector projects driving demand

While output in the construction sector continues to fluctuate, one field which may provide hope for contractors is house building projects.

A recent ONS survey\*\*\* found that while there were decreases in all other construction sectors in Spring 2013, new building work for private housing showed increases of 3.6%.

NoPalaver adds that the increase in house-building projects is likely to continue, as the recent 2013 Spending Review announced a £3bn capital investment for affordable housing.

Graham Jenner says: “The construction sector is being given a much needed shot in the arm by the huge demand for new build homes under the New Buy and Help to Buy schemes. While commercial and civil projects may not be providing as much work for contractors, house-building is likely to compensate to some extent.”

\* ONS classification “Construction of Buildings” – to March 2013 (latest figures available)

\*\*ONS Gross Domestic Product Preliminary Estimate, Q2 2013

\*\*\* Output in the Construction Industry, April 2013

**ENDS**

## **About NoPalaver**

The NoPalaver Group provides umbrella services to contractors and personal service companies. The NoPalaver Group includes:

- NoPalaver Accountants, which provides specialist accountancy support to contractors working through limited companies
- NoPalaver Umbrella, which helps contractors in all sectors run their personal service company
- NoPalaver CIS, which helps sub-contractors in the construction industry maintain self-employment status, and simplifies payroll issues for agencies and contractors. NoPalaver CIS looks after sub-contractors' invoicing, payment, and CIS tax issues.
- NoPalaver Contractors, which enables contractors in other industries to maintain self-employment status through a personalised weekly payment administration service

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