Scotland - Workload Trends 2019 Q4

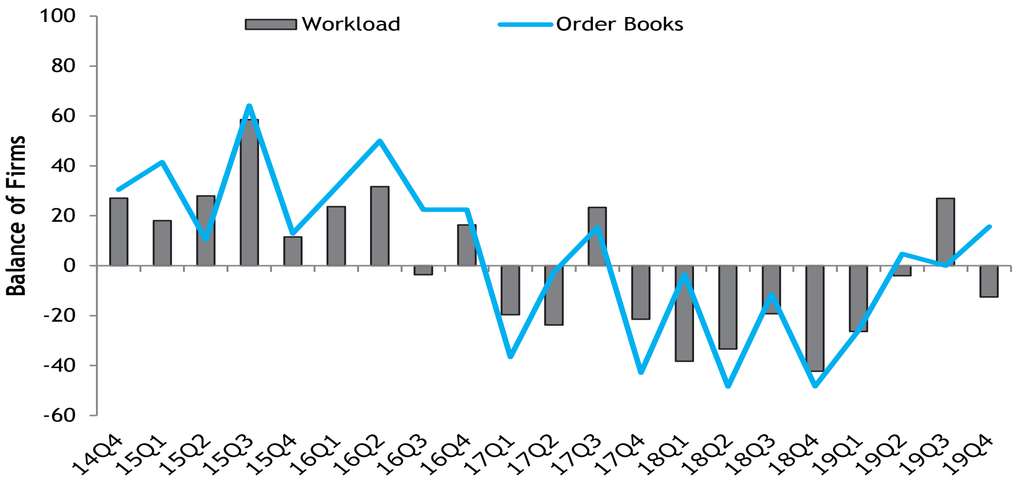
Workloads decline but outlook remains positive

Weighted Balances (%)

Change on 12 Months Ago	
Workload	
2018 Q4	-42
2019 Q4	-13
Tender Prices	
New Work	
2018 Q4	+17
2019 Q4	+19
R&M Work	
2018 Q4	+15
2019 Q4	+29
Order Books	
2018 Q4	-48
2019 Q4	+16
Over the Next 12 Months	
Expected Workload	
2018 Q4	-4
2019 Q4	+27
Expected Orders	
New Work	
2018 Q4	-6
2019 Q4	+30
R&M Work	
2018 Q4	-2
2019 Q4	+19

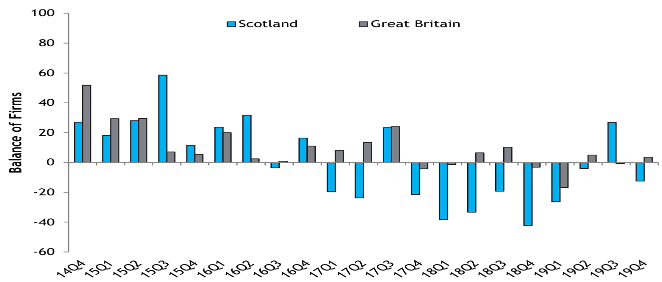
- In Q4, 13% of Scottish firms, reported an annual decline in workloads, down from +27% in Q3.
- 16% of Scottish firms, on balance, reported that orders had increased in Q4, the highest in nearly four years.
- Workload expectations for the year ahead improved in Q4, with Scottish firms reporting the highest balance in four years (27%).
- Employment of skilled and other operatives fell for a third consecutive quarter in Q4.
- 63% of firms, on balance, cited issues with the supply of skilled operatives, the highest in nearly five years.

Change in Workload and Order Books – Scotland



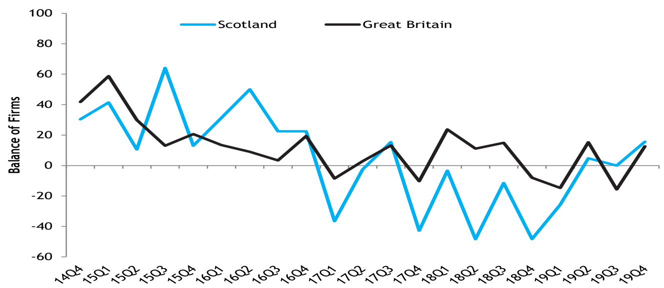
Recent Trends

Workload Compared to 12 Months Ago



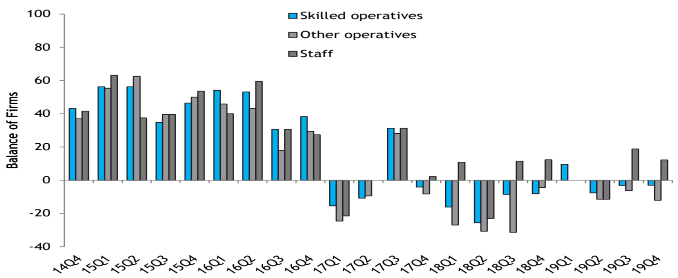
Workloads deteriorated in Scotland during the fourth quarter of 2019. On balance, 13% of respondents reported a decrease in workloads on a year ago, down from 27% reporting a rise in Q3, which was the highest balance in nearly four years. Overall, 38% of the respondents reported that workloads had fallen, and one-quarter reported that workloads had risen. In Great Britain, 3% of firms, on balance, reported that workloads increased compared to a year ago, following a negative balance (-1%) in Q3. In total, 34% of firms reported that workloads had increased. After reporting a negative balance (-13%) in Q3, workloads increased according to one-quarter of firms, on balance, in England. In Wales, workloads declined for a fourth consecutive quarter in Q4, according to 29% of firms, on balance.

Order Books Compared to 12 Months Ago



After recording a zero balance in Q3, 16% of Scottish firms, on balance, reported that order books had increased in Q4 compared to 12 months ago. This marked the highest balance since 2016 Q4. Overall, half of respondents reported that orders had increased, and 34% reported a decrease. In Great Britain, 13% of firms, on balance, reported that order books had increased compared to a year earlier, up from a balance of -16% reported in Q3, which was the lowest in nearly seven years. Overall, 42% of firms reported that orders had increased. In England, 37% of firms, on balance, reported that order book had increased, up from -24% reported in Q3 and the highest balance in two years. In total, 51% of firms reported that orders had increased. However, in Wales, orders contracted for a fifth consecutive quarter in Q4, according to 35% of firms, on balance.

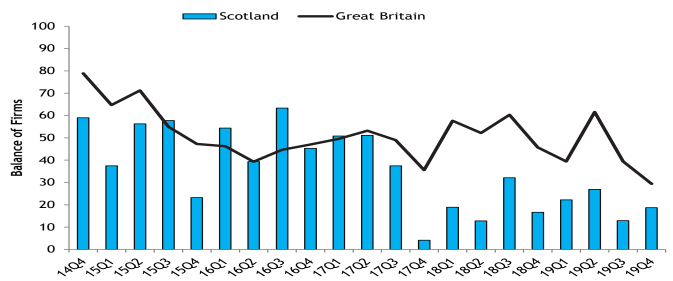
Employment Compared to 12 Months Ago



In Scotland, employment balances for operatives remained in negative territory for a third consecutive quarter in Q4. On balance, 3% of respondents reported that employment decreased for skilled operatives and a balance of 12% reported a decrease in the employment of other operatives. For staff, however, a balance of 12% of respondents reported that employment increased in Q4. In Britain, 17% and 13% of respondents reported increases in the employment of skilled operatives and other operatives, respectively. Employment of staff also increased for a balance of 30% of firms, the highest since 2017 Q3. In England, on balance, employment of staff, skilled operatives and other operatives increased according to 32%, 27% and 26% of firms, respectively. In Wales, 34% and 7% of respondents reported increases in the employment of staff and skilled operatives respectively, whilst a zero balance was recorded for other operatives.

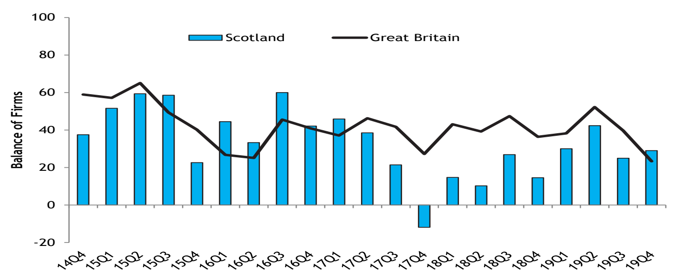
Tender Prices

Tender Prices of New Work



In Scotland, 19% of firms, on balance, reported that tender prices for new work increased in Q4 with 34% of all respondents reporting higher tender prices and half reporting no change. This compares to a balance of 13% in Q3. In Great Britain, 29% of firms, on balance, reported an increase in tender prices for new work, down from 39% in Q3 and marking the lowest balance since 2013 Q3. Overall, approximately half (51%) of the respondents reported no change. In England, prices increased, on balance, according to 34% of respondents. In total, 44% of respondents reported rises, whilst 10% reported declines. In Wales, 11% of firms, on balance, reported an increase in tender prices for new work, down from 32% in Q3 and the lowest balance since 2016 Q4. Overall, 68% of the respondents reported no change in tender prices.

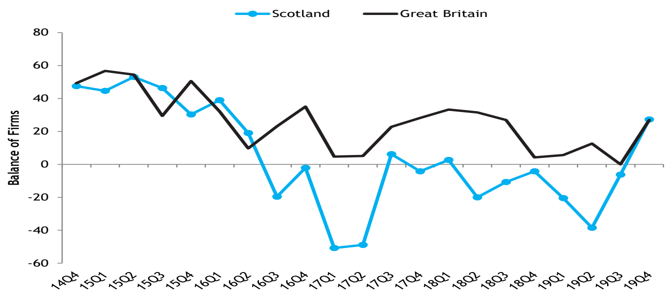
Tender Prices of R&M Work



In Scotland, 29% of respondents, on balance, reported that tender prices for R&M work were higher compared to a year earlier, up from 25% in Q3. 65% of all respondents reported that prices were unchanged and 32% of firms reported increases. In Britain, on balance, 23% of respondents, reported that tender prices increased compared to 12 months ago, down from 40% in Q3 and the lowest balance since 2013 Q3. 30% of all respondents reported that prices had risen. In England, 31% of the respondents, on balance, reported that tender prices were higher in Q4 than they were 12 months earlier, down from 49% in Q3. 39% of the respondents reported that tender prices had increased, whilst 53% reported that they were unchanged. In Wales, no firms, on balance, reported that tender prices had increased in Q4. All respondents reported that prices were unchanged.

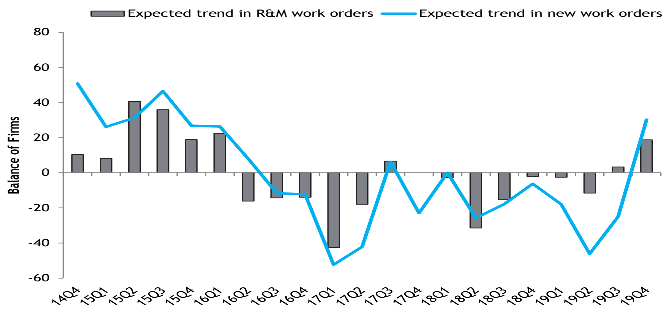
Expected Future Trends

Expected Workloads in the Next 12 Months



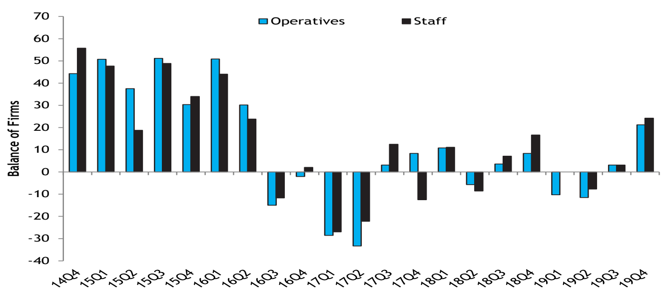
In Scotland, expectations about future workloads improved in Q4. On balance, 27% of firms expected workloads to increase over the next year, up from -6% in Q3 and the highest since 2016 Q1. Overall, 45% of the respondents expected workloads to increase, and 36% expected workloads to remain unchanged. In Britain, a balance of 27% of respondents reported that they expected workloads to rise over the next year, up from a zero balance in Q3. 45% of the respondents expected workloads to remain unchanged, and 41% expected workloads to increase. In England, 39% of firms, on balance, expected workloads to increase in the coming 12 months, up from 8% in Q3. In Wales, however, expectations deteriorated for a second consecutive quarter, with 32% of firms anticipating a fall in workloads in the next 12 months. This compares to a balance of -15% in Q3 and marked the lowest in three years.

Expected New Orders in the Next 12 Months



Expectations for growth in new orders over the next 12 months turned positive in Q4. 30% of Scottish firms, on balance, expected orders for new work to increase over the coming 12 months, up from -25% in Q3 and the strongest balance since 2015 Q3. For R&M orders a balance of 19% was recorded, the highest in four years. In Britain, 23% of firms, on balance, expected order books to improve over the coming year, up from -8% recorded in Q3. For R&M, a balance of 15% expected orders to increase during the next 12 months. In England, 33% of firms, on balance, anticipated growth in new work orders over the coming year and 26%, on balance, expected R&M orders to increase. In Wales, the orders outlook remained weak in Q4, with 32% of firms, on balance, anticipating a fall in new work orders and a balance of 35% expecting R&M orders to be lower. The former was the weakest balance in three years.

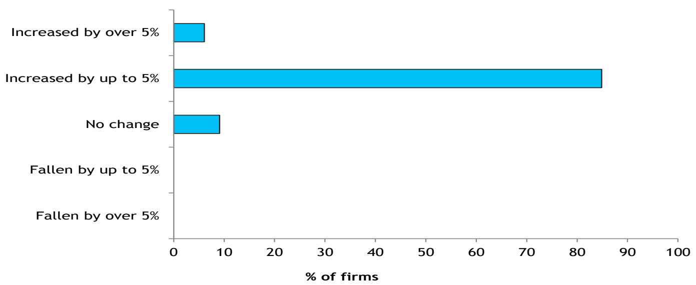
Expected Employment in the Next 12 Months



In Scotland, hiring intentions for the next 12 months remained positive in Q4. On balance, 24% of firms expected employment of staff to increase and 21% also anticipated operatives employment to rise over the coming year. Both balances were the highest since 2016 Q2. In Britain, on balance, 26% of firms expected employment of operatives to increase and 20% expected staff employment to rise, up from balances of 10% and 11% respectively, recorded in Q3. In England, 38% of firms, on balance, expected employment of operatives to increase, and for staff, a balance of 28% was recorded, both improving from Q3. In Wales, hiring intentions remained weak for a second consecutive quarter in Q4. On balance, 27% of firms expected employment of operatives to decline and 18% expected staff employment to fall. Both balances were the weakest since 2016 Q2.

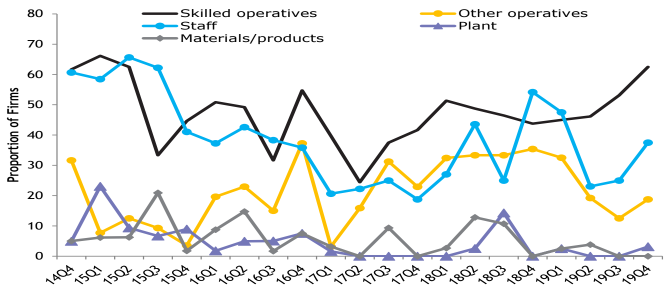
Costs and Supply Constraints

Change in Costs Compared to 12 Months Ago



In Scotland, 91% of respondents, on balance, reported that costs increased over the last 12 months, unchanged from Q3. 85% of firms reported that costs had increased by up to 5% and 6% by more than 5%, whilst no firms reported that costs had fallen. In Britain, on balance, 84% of firms, reported that costs had risen over the last 12 months, up from 80% in Q3. 82% of respondents reported increased costs by up to 5%, 5% by more than 5%, whilst 3% of firms reported that costs had fallen. In England, 82% of firms, on balance, reported increased costs, up from 65% in Q3. 84% of firms reported increased costs by up to 5%, 2% by more than 5%, whilst 11% of firms reported no change in costs. In Wales, 79% of firms, on balance, reported an increase in costs over the last 12 months, the lowest balance in three years. 86% of firms reported increased costs by up to 5%, whilst 7% of firms reported costs had fallen.

Contractors Unsatisfied with Supply



In Scotland, the most cited supply issue in Q4 was skilled operatives (63%), followed by staff (38%), other operatives (19%) and plant (3%). For skilled operatives, this was the highest proportion since 2015 Q2. No issues were reported with the supply of materials/products. In Great Britain, the most cited supply issue was skilled operatives, with 52% of respondents identifying this as an issue, the highest proportion since 2014 Q4. This was followed by staff (30%), other operatives (15%), plant (3%) and materials/products (1%). In England, 52% of respondents identified supply of skilled operatives as an issue, followed by staff (19%), other operatives (18%) and materials/products (2%). In Wales, skilled operatives were noted as having supply issues according to 36% of the respondents, along with staff (32%) and other operatives (11%). No issues were reported with plant and materials/ products.

Workload Trends Survey

	Q4	2016Q1	Q2	Q3	Q4	2017Q1	Q2	Q3	Q4	2018Q1	Q2	Q3	Q4	2019Q1	Q2	Q3	Q4
Workload (% balance)	+12	+24	+32	-4	+16	-20	-24	+23	-21	-38	-33	-19	-42	-26	-4	+27	-13
Expected Workload (% balance)	+30	+39	+19	-20	-2	-51	-49	+6	-4	+3	-20	-11	-4	-21	-38	-6	+27
Order Books (% balance)	+13	+31	+50	+23	+23	-37	-3	+15	-43	-3	-48	-12	-48	-26	+5	0	+16
Expected New Orders (% balance)																	
New Work	+27	+26	+8	-12	-12	-52	-42	+6	-23	0	-26	-18	-6	-18	-46	-25	+30
R&M	+19	+23	-16	-14	-14	-43	-18	+7	0	-3	-31	-15	-2	-3	-12	+3	+19
Employment (% balance)																	
Skilled operatives	+46	+54	+53	+31	+38	-15	-11	+31	-4	-16	-26	-9	-8	+10	-8	-3	-3
Other operatives	+50	+46	+43	+18	+29	-25	-10	+28	-8	-27	-31	-31	-4	0	-12	-6	-12
Staff	+54	+40	+59	+31	+27	-22	0	+31	+2	+11	-23	+11	+12	0	-12	+19	+12
Expected Employment (% balance)																	
Operative jobs	+30	+51	+30	-15	-2	-29	-33	+3	+8	+11	-6	+4	+8	-10	-12	+3	+21
Employment of staff	+34	+44	+24	-12	+2	-27	-22	+13	-13	+11	-9	+7	+17	0	-8	+3	+24
Costs*																	
Costs Compared with 12 Months Ago (%)																	
Falling	0	0	0	0	0	0	0	0	2	3	0	0	0	0	0	0	0
Unchanged	4	0	0	0	0	0	0	0	2	5	10	0	0	2	0	0	0
Slower	11	2	15	21	7	6	9	3	21	11	8	9	4	2	8	9	9
Same rate	77	88	68	48	64	70	74	88	67	70	72	86	94	90	85	84	85
Faster	9	10	18	31	29	23	17	9	8	11	10	6	2	5	8	6	6
Cost (%) Balance	+82	+98	+85	+79	+93	+94	+91	+97	+71	+73	+72	+91	+96	+93	+92	+91	+91
Tender Prices (% balance)																	
New work	+23	+54	+39	+63	+45	+51	+51	+38	+4	+19	+13	+32	+17	+22	+27	+13	+19
R&M	+23	+44	+33	+60	+42	+46	+38	+21	-12	+15	+10	+27	+15	+30	+42	+25	+29
Supply of Resources Required (%)																	
Skilled Operatives	45	51	49	32	55	40	24	38	42	51	49	46	44	45	46	53	63
Other Operatives	4	20	23	15	37	3	16	31	23	32	33	33	35	33	19	13	19
Staff	41	37	43	38	36	21	22	25	19	27	44	25	54	48	23	25	38
Plant	9	2	5	5	8	2	0	0	0	0	3	14	0	3	0	0	3
Materials and Products	2	9	15	2	8	3	0	9	0	3	13	11	0	3	4	0	0

*Discontinuity in series due to an amendment to the question in order to collect more detailed information on the degree of cost change.

About the Civil Engineering Contractors Association (CECA) and Scotland Workload Trends

The number of contractors taking part in CECA's 2019 Q4 Scotland survey totalled 22. The survey responses are weighted by size of firm to ensure that results are representative of the industry. The results displayed are typically weighted balances and are calculated by taking the difference between firms reporting an increase in workloads, for example, and the proportion of firms experiencing a fall.

CECA has over 300 member firms which carry out more than 80% of all civil engineering work in Great Britain. The quarterly CECA survey of civil engineering workload trends, in which more than a third of the membership takes part, tests for changes over the past year in contractors' workload, workforce, order books, cost trends, and tender prices. It also examines the supply situation for key resources, and contractors' expectations of trends in new orders and employment in the coming 12 months. Full reports of the CECA survey are available to non-members; £30 per single copy or £100 for an annual subscription.

Enquiries to: Huston Gilmore, CECA, 1 Birdcage Walk, London SW1H 9JJ T: 020 7340 0454
E-mail: hustongilmore@ceca.co.uk, Website: www.ceca.co.uk