



CITB ANALYSIS AND FORECASTING

# Construction Skills Network

Labour Market Intelligence Report

5-year  
Outlook

2021-2025

**North  
East**



The North East's annual recruitment requirement of 1.4% per year, means an extra 7,000 new workers are needed between the end of 2020 and 2025.

The annual recruitment requirement in North East

**1.4%**

Amount of new workers that are needed between 2020 and 2025

**7,000**

## Macroeconomic backdrop

The outlook for most of the economy looks much more positive, as confidence rises amid a successful vaccine rollout, declining Covid-19 infection rates and the government continuing to follow its 'roadmap out of lockdown' that involves return to some normality. For instance, YouGov/Centre for Economics and Business Research's Consumer Confidence Index in April 2021 recorded its highest score in almost three years, at 108.5. The index score of above 100 suggests that more consumers are confident than not, and this is being driven by recent business activity in the workplace as the economy gradually reopens. Rising confidence should result in greater prospect for spending and therefore expediting economic recovery from the recession.

Construction is no exception to optimism about the future, with IHS Markit/CIPS' Construction Future Activity Index averaging a score of 73.4 in the first three months of 2021. A score of above 50.0 suggests that the construction industry expects growth over the coming 12 months. Most of this optimism results from

continued resumption of works that were paused during lockdown restrictions and an expected rise in sales, as the economy continues to reopen and lockdown restrictions ease. As construction output keeps recovering in 2021 the industry's confidence should remain positive.

These positive points could reduce the risk of business insolvency in the near-term. Ernst & Young's 2020 Profit Warnings report suggests that most of construction's 33 'profit warnings,' when a publicly listed company reports profits materially below expectations, came from the commercial sector. Structural changes impacted commercial work during 2020, with reduced demand for office space arising from remote working and an ongoing shift towards online shopping impacting retail space, and these changes pose near-term uncertainty for this sector. The risk for the commercial sector is that its number of insolvencies could rise as government support winds down in 2021.

A swift recovery could present a risk of price pressures for construction and the wider economy. Although inflation is currently low (0.4% in February 2021), we expect inflation to rise to 2% by the end of 2021 as pent-up demand pushes up prices.

Construction has recently faced rising material prices, also driven by:

- Difficulties in obtaining materials during the pandemic
- Import tariffs
- Depressed sterling rates.

While some of these factors could be temporary, ongoing price pressures for construction are likely, especially due to potential supply shortages. The Royal Institute of Chartered Surveyors forecast that construction materials prices will rise by 22% between Q3 2020 and Q3 2025, which could pose some challenges for the industry, e.g., through uncertainty about future profits and costs that in turn impact investment levels.

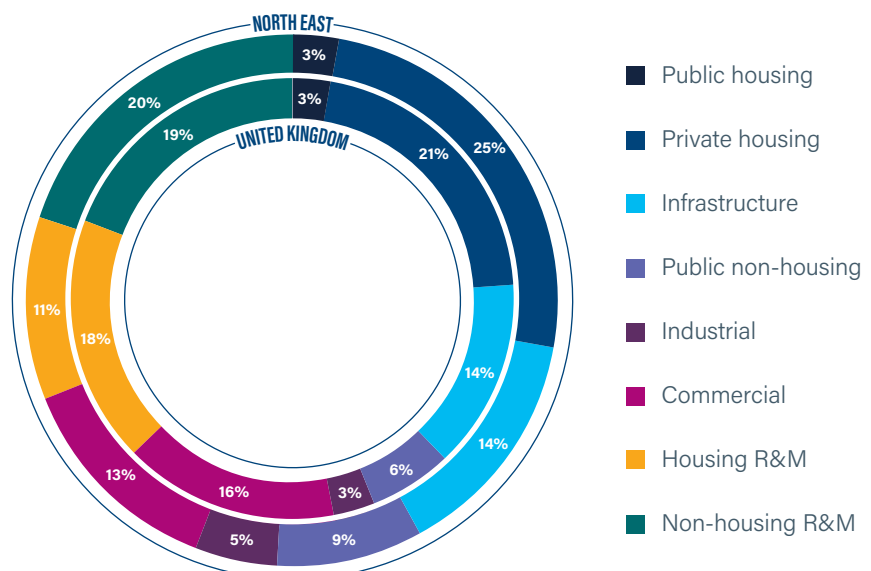
Lastly, there are non-economic challenges for the wider economy and several industries, including construction. These include a potential third wave of Covid-19 infection rates resulting from relaxed social distancing restrictions during summer 2021 and increased international travel that might result in further Covid-19 variants. Such challenges could also lead to additional lockdown measures during autumn 2021 and onwards, which could create a dent in wider economic and construction recovery.

## Structure

Comparing the structure of the construction industry in the North East to the UK highlights the importance of private housing output, which accounts for a quarter of work, higher than the UK figure of 21%. The North East also has a higher share of industrial and public sector, non-housing new work when compared to UK, whereas its shares of commercial and housing R&M are both lower.

### CONSTRUCTION INDUSTRY STRUCTURE 2020, NORTH EAST VS UK

Source: ONS, Experian

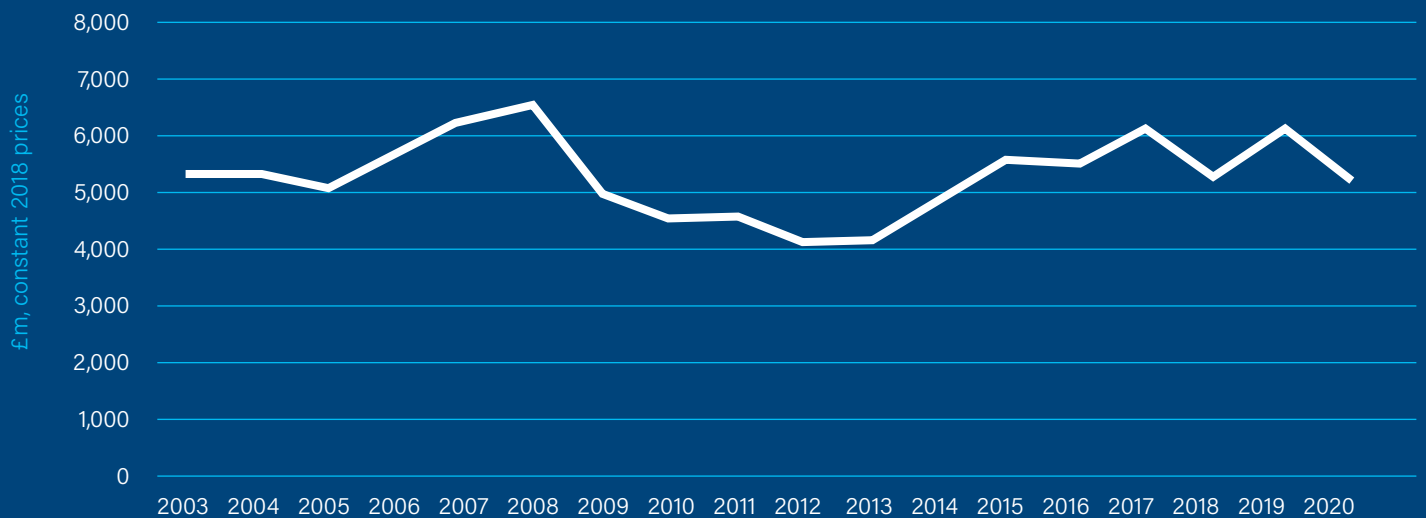


# 2020 view

2020 has been a challenging year for construction in the North East, with annual output dropping by an estimated 15% when compared to 2019. Recent data published by the Office for National Statistics showed a strong pick-up of construction work in the second half of 2020, and although there has been a slight drop in first month of 2021, we expect output to steadily recovery over the rest of 2021.

## CONSTRUCTION OUTPUT 2003 - 2020 NORTH EAST

Source: ONS



## Output forecast 2021 - 2025

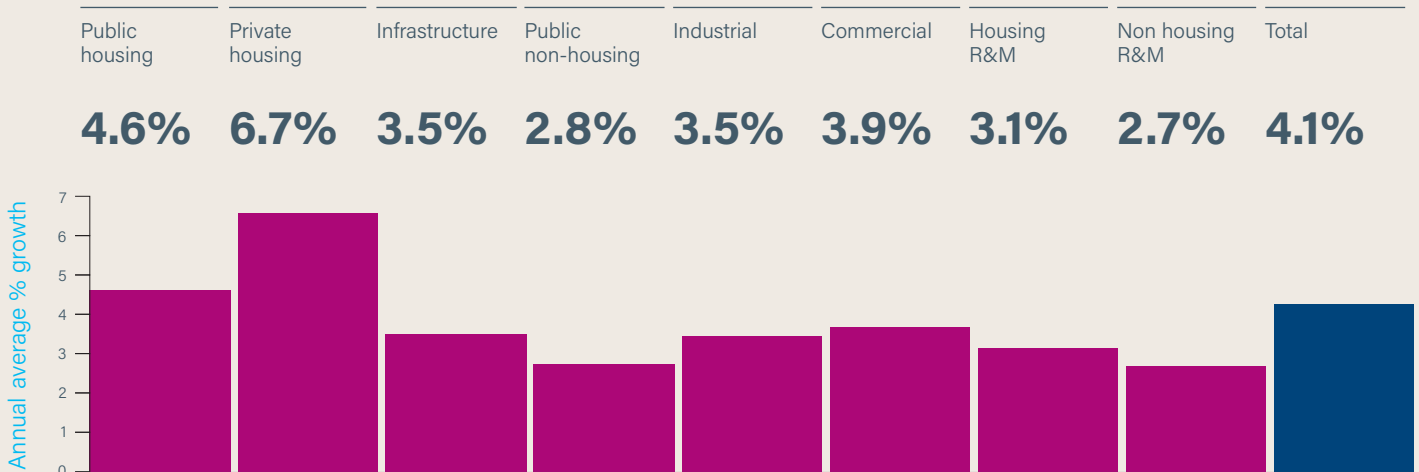
The volume of work will grow by an annual average rate of about 4.1% for the North East, just slightly below the UK forecast of 4.4%. Private housing and infrastructure sectors are expected to have the fastest growth rates and our estimate is that construction output will achieve its pre-Covid-19 levels in 2024.

North East average growth rate

# 4.1%

# Forecast

## AVERAGE ANNUAL CONSTRUCTION OUTPUT GROWTH, 2021-2025 NORTH EAST



Source: CSN, Experian Ref: CSN Explained, Section 4, Note 2

## CONSTRUCTION OUTPUT - NORTH EAST (£ MILLION, 2018 PRICES)

	Actual	Forecast (Annual % change, real terms)					Annual average
	2020	2021	2022	2023	2024	2025	2020-2025
Public Housing	129	171%	1.2%	2.5%	2%	1.2%	4.6%
Private Housing	1,258	25.4%	4.4%	1.3%	2.3%	1.7%	6.7%
Infrastructure	7,31	6%	3.7%	0.4%	4.3%	3.1%	3.5%
Public Non-housing	439	6.4%	2.7%	2.1%	1.9%	1%	2.8%
Industrial	281	8%	2.9%	3.2%	2.2%	1.3%	3.5%
Commercial	692	5%	6.4%	5.7%	2.6%	1.7%	3.9%
<b>New Work</b>	<b>3,530</b>	<b>13.1%</b>	<b>4.2%</b>	<b>2%</b>	<b>2.7%</b>	<b>1.8%</b>	<b>4.7%</b>
Housing R&M	555	8.1%	2.3%	3.2%	1.8%	0.5%	3.1%
Non-housing R&M	1,046	4.3%	2%	3.1%	2.4%	1.6%	2.7%
<b>Total R&amp;M</b>	<b>1,601</b>	<b>5.6%</b>	<b>2.1%</b>	<b>3.2%</b>	<b>2.2%</b>	<b>1.2%</b>	<b>2.9%</b>
<b>Total Work</b>	<b>5,132</b>	<b>10.8%</b>	<b>3.6%</b>	<b>2.4%</b>	<b>2.5%</b>	<b>1.7%</b>	<b>4.1%</b>

The annual average growth rate is the rate of growth between the end of 2020 and the end of 2025, i.e., five-year period.

Source: CSN, Experian Ref: CSN Explained, Section 4, Note 2

The 6.7% annual average growth forecasted for private housing work from the end of 2020 to the end of 2025, is the same as the UK figure and largely influenced by the sector returning to work in 2021. Although infrastructure, commercial and R&M growth rates are lower, all of these sectors will contribute towards growing output in the North East over the next five years.

Announcement of the new Freeport at Teeside could provide a significant boost to the region's forecast, with estimates suggesting that it will provide a £3.2bn boost to the region's economy of the next five years.

A further potential upside could come from the Tees Combined-Cycle Power Plant,

£700m 1.7GW gas-fired Tees Combined-Cycle Power Plant, though the current start-date is being placed in the mid-2020s with completion by the end of the decade.

The level of output growth in the North East means the construction workforce is likely to remain relatively stable over the next five years. The construction workforce of 100,600 is forecast to dip slightly to 97,500 in 2021 before growing to 100,100 by the end of 2025.

TOTAL WORKFORCE BY OCCUPATION – NORTH EAST	Actual	Estimate	Forecast	
	2020	2021	2022	2025
Senior, executive and business process managers	4,500	4,300	4,300	4,300
Construction Project Managers	1,500	1,500	1,500	1,500
Other construction process managers	5,700	5,400	5,500	5,600
Non-construction professional, technical, IT and other office-based staff	11,900	11,600	11,800	11,900
Construction Trades Supervisors	3,000	3,000	3,100	3,200
Wood trades and interior fit-out	6,800	6,500	6,600	6,700
Bricklayers	3,300	3,500	3,500	3,500
Building envelope specialists	2,500	2,600	2,700	2,800
Painters and decorators	3,100	2,900	2,900	3,000
Plasterers	2,700	2,600	2,600	2,700
Roofers	3,300	3,100	3,100	3,100
Floorers	3,000	2,800	2,800	2,800
Glaziers	600	600	600	600
Specialist building operatives nec*	4,300	4,000	4,000	3,900
Scaffolders	1,400	1,300	1,300	1,300
Plant operatives	3,300	3,000	3,100	3,200
Plant mechanics/fitters	2,300	2,200	2,200	2,200
Steel erectors/structural fabrication	1,200	1,100	1,200	1,200
Labourers nec*	5,600	5,600	5,700	5,700
Electrical trades and installation	7,900	7,600	7,700	8,000
Plumbing and HVAC Trades	7,500	7,000	7,000	7,000
Logistics	600	600	600	600
Civil engineering operatives nec*	1,800	1,700	1,800	1,800
Non construction operatives	500	500	500	500
<b>Total (SIC 41-43)</b>	<b>88,100</b>	<b>84,900</b>	<b>85,900</b>	<b>87,000</b>
Civil engineers	1,500	1,300	1,400	1,500
Other construction professionals and technical staff	9,000	9,100	9,300	9,400
Architects	400	500	500	500
Surveyors	1,600	1,700	1,800	1,800
<b>Total (SIC 41-43, 71.1, 74.9)</b>	<b>100,600</b>	<b>97,500</b>	<b>98,800</b>	<b>100,100</b>

Source: ONS, CSN, Experian Reference: CSN Explained, Section 4, Notes 5 and 6

\* Not elsewhere classified

# Annual Recruitment Requirement (ARR)

Although the workforce is set to remain stable, annual recruitment requirement in the North East is set to average 1.4% per year, based on 2020 workforce levels, which is slightly lower than the UK figure of 1.6%. This means the construction industry will have to increase current recruitment by 1,400 new workers each year to maintain the workforce to deliver expected work between the end of 2020 and 2025.

The following occupations have some of the strongest recruitment requirement levels:

- Non-construction professionals, technical, IT and other office-based staff (350 per year)
- Wood trades and interior fit out (200 per year)
- Plant operatives (200 per year).

However, there would also be pressure on painters and decorators, construction trades supervisors, bricklayers and surveyors where demand is high compared to their workforce level. For occupations that have no value, indication is that recent levels of recruitment will be able to meet future need if they are maintained.

## ANNUAL RECRUITMENT REQUIREMENT BY OCCUPATION – NORTH EAST

	ARR	ARR as % of 2020 workforce
Senior, executive and business process managers	–	–
Construction Project Managers	–	–
Other construction process managers	–	–
Non-construction professional, technical, IT and other office-based staff	350	2.8%
Construction Trades Supervisors	150	4.9%
Wood trades and interior fit-out	200	3.2%
Bricklayers	150	4.9%
Building envelope specialists	50	2%
Painters and decorators	150	5.5%
Plasterers	–	–
Roofers	–	–
Floorers	–	–
Glaziers	–	–
Specialist building operatives nec*	–	–
Scaffolders	–	–
Plant operatives	200	6.8%
Plant mechanics/fitters	–	–
Steel erectors/structural fabrication	–	–
Labourers nec*	–	–
Electrical trades and installation	–	–
Plumbing and HVAC Trades	–	–
Logistics	–	–
Civil engineering operatives nec*	–	–
<b>Total (SIC 41-43)</b>	<b>1,300</b>	
Civil engineers	–	–
Other construction professionals and technical staff	–	–
Architects	–	–
Surveyors	100	4.9%
<b>Total (SIC 41-43, 71.1, 74.9)</b>	<b>1,400</b>	<b>1.4%</b>

Source: ONS, CSN, Experian Reference: CSN Explained, Section 4, Notes 5 and 6

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Note: values may not sum to totals due to rounding

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