

CITB ANALYSIS AND FORECASTING

Construction Skills Network

Labour Market Intelligence Report

**5-year
Outlook**

2021-2025

**Northern
Ireland**



The annual recruitment requirement in Northern Ireland of 1.5% per year, means an extra 5,000 workers are needed between the end of 2020 and 2025.

The annual recruitment requirement in Northern Ireland

1.5%

Amount of new workers that are needed between 2020 and 2025

5,000

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 materiality 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; and
- 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.

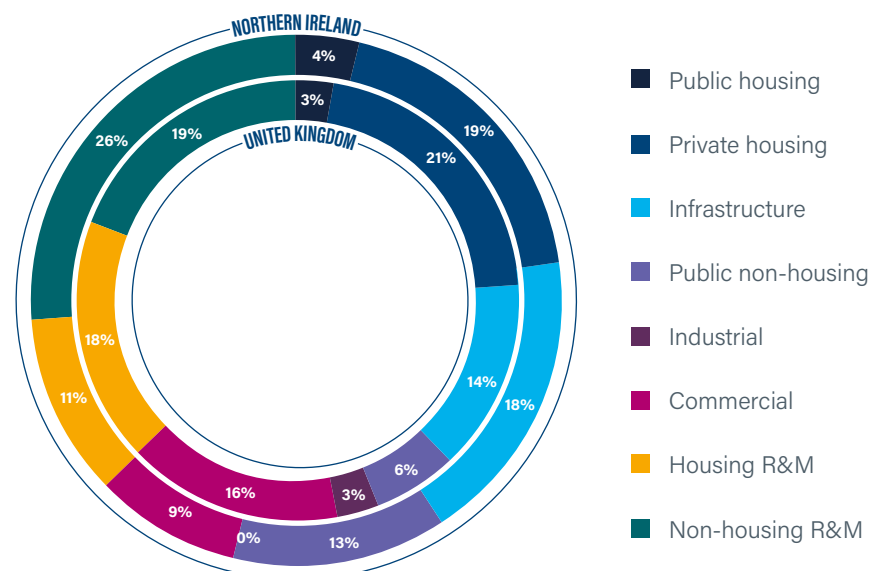
Lastly, there are non-economic challenges for the wider economy and several industries, including construction. These include a potential third wave of Covid-19 infection rates resulting from relaxed social distancing restrictions during summer 2021 and increased international travel that might result 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

The construction industry in Northern Ireland has a noticeable variation in structure when compared to the UK view, with non-housing R&M, infrastructure and public non-housing all having larger shares, whereas housing R&M and commercial have smaller shares. Note: data on the industrial sector in Northern Ireland is not produced. Although there is a variation in underlying industry structure, infrastructure, housing and R&M work are still the main sectors for construction work that are important to both Northern Ireland and the UK.

CONSTRUCTION INDUSTRY STRUCTURE 2020, NORTHERN IRELAND VS UK

Source: ONS, Experian

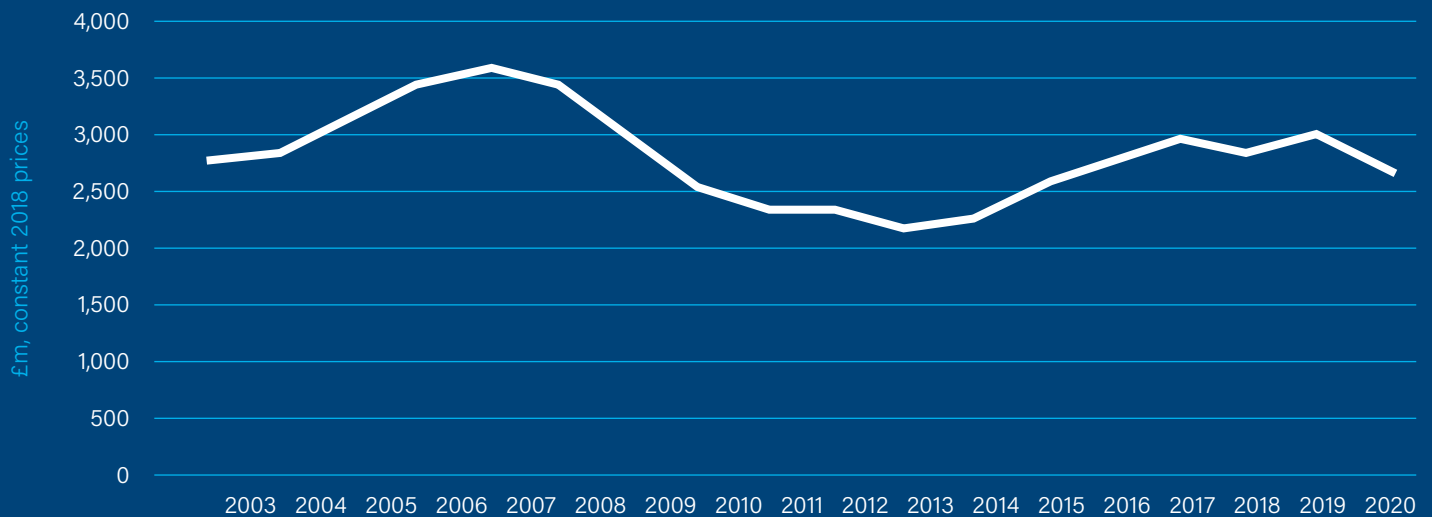


2020 view

2020 has been a challenging year for construction in Northern Ireland, with annual output dropping by around 12% when compared to 2019. However, recent economic index data published by the Northern Ireland Statistics and Research Agency points towards a strong pick up of construction work in Q4 2020, which we expect to develop into a steady recovery in output in 2021.

CONSTRUCTION OUTPUT 2003 - 2020 NORTHERN IRELAND

Source: ONS



Output forecast 2021 - 2025

The volume of work will grow by an annual average rate of about 3.9% for Northern Ireland, which is below the UK forecast of 4.4%. Private housing is expected to have the fastest growth rate and our estimate is that Northern Ireland's construction output will achieve its pre-Covid-19 levels in 2023.

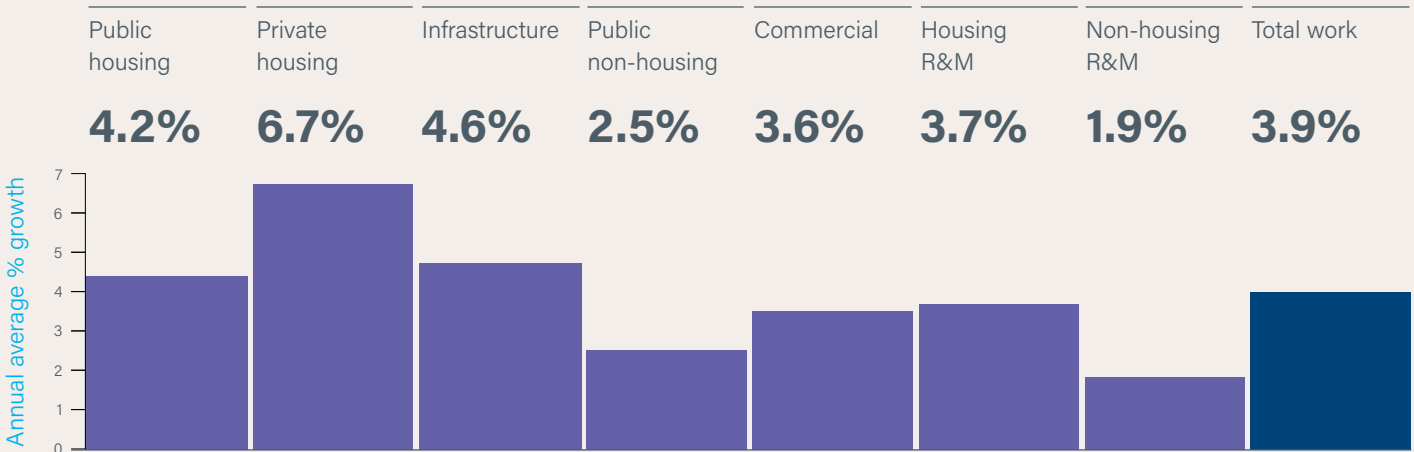
The 6.7% annual average growth forecasted for private housing work from the end of 2020 to the end of 2025, is on par with the UK average, and will be a key sector for Northern Ireland. However, it should be noted that a lack of infrastructure, in particular sewage systems, may constrain new private house building in the near term. There are also concerns that some projects, such as the York Street Interchange in Belfast, could lose EU funding, particularly now that the scheme must be retendered.

Northern Ireland average growth rate

3.9%

Forecast

FORECAST ANNUAL AVERAGE OUTPUT GROWTH BY SECTOR 2021-2025 NORTHERN IRELAND



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

CONSTRUCTION OUTPUT - NORTHERN IRELAND (£ MILLION, 2018 PRICES)

	Actual	Forecast (Annual % change, real terms)					Annual average
		2020	2021	2022	2023	2024	
Public Housing	90	13.3%	3.1%	2.5%	1.5%	1.2%	4.2%
Private Housing	505	22.2%	3.5%	3.2%	3.3%	2.7%	6.7%
Infrastructure	484	6%	2.7%	2.3%	6%	6.1%	4.6%
Public Non-housing	334	7.4%	2.7%	1.1%	1.6%	0%	2.5%
Industrial	-	-	-	-	-	-	-
Commercial	248	4%	3.5%	2.9%	4.9%	2.7%	3.6%
New Work	1,661	11.3%	3.1%	2.5%	3.8%	3.1%	4.7%
Housing R&M	284	10.2%	2.3%	3.2%	1.8%	1.3%	3.7%
Non-housing R&M	694	4.2%	0.9%	2%	1.2%	1.5%	1.9%
Total R&M	978	5.9%	1.3%	2.4%	1.3%	1.4%	2.4%
Total Work	2,639	9.3%	2.5%	2.4%	2.9%	2.5%	3.9%

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

Infrastructure investment will also be important to future growth, such as the new £208m Belfast Transport Hub being granted planning approval, providing 400 jobs during construction. Work is due to begin in 2022 and complete in 2025. The aim will be to enhance local and international connectivity via bus, coach and rail links.

There is also work planned on commercial projects, such as work on Kings Hall 'Wellbeing Park' in South Belfast, with the project valued around £90m while an extra £30m was added to the Linen quarter redevelopment. While the funding allocation to the Social Housing Development

Programme of just over £220m for 2021/22 equates to around 1,900 starts and is higher than in 2020/21 allocation.

The level of output growth in Northern Ireland gives an annual average increase of 0.7% in the construction workforce, slightly lower than the UK-wide equivalent at 1.0%. However, Northern Ireland isn't showing the workforce reduction between 2019 and 2020 that is being picked up in other areas, hence the slightly lower growth rate. This means that the 65,000 construction workforce at the end of 2020 is set to increase to 67,200 by the end of 2025.

TOTAL WORKFORCE BY OCCUPATION - NORTHERN IRELAND

	Actual	Estimate	Forecast	
	2020	2021	2022	2025
Senior, executive and business process managers	3,400	3,400	3,400	3,300
Construction Project Managers	1,100	1,100	1,100	1,100
Other construction process managers	4,800	4,700	4,700	4,700
Non-construction professional, technical, IT and other office-based staff	8,600	8,700	8,800	8,900
Construction Trades Supervisors	1,000	1,000	1,000	1,100
Wood trades and interior fit-out	8,200	8,200	8,200	8,300
Bricklayers	2,100	2,200	2,300	2,300
Building envelope specialists	1,100	1,100	1,200	1,200
Painters and decorators	3,200	3,200	3,200	3,200
Plasterers	2,700	2,700	2,700	2,700
Roofers	1,100	1,100	1,100	1,000
Floorers	300	300	300	300
Glaziers	600	600	600	600
Specialist building operatives nec*	900	800	800	800
Scaffolders	200	200	200	200
Plant operatives	1,900	1,800	1,900	2,100
Plant mechanics/fitters	900	900	900	900
Steel erectors/structural fabrication	200	200	200	200
Labourers nec*	4,200	4,200	4,300	4,400
Electrical trades and installation	5,000	5,000	5,100	5,200
Plumbing and HVAC Trades	3,500	3,500	3,400	3,400
Logistics	500	500	500	500
Civil engineering operatives nec*	400	400	400	400
Non construction operatives	300	300	400	400
Total (SIC 41-43)	56,000	56,100	56,500	57,100
Civil engineers	2,100	2,000	2,100	2,300
Other construction professionals and technical staff	4,500	4,700	4,800	4,900
Architects	1,400	1,500	1,600	1,700
Surveyors	1,000	1,100	1,100	1,200
Total (SIC 41-43, 71.1, 74.9)	65,000	65,500	66,100	67,200

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

* Not elsewhere classified

Annual Recruitment Requirement (ARR)

Northern Ireland's annual recruitment requirement is set to average 1.5% per year, based on 2020 workforce levels, which is very close to the UK figure of 1.6%. This means the construction industry would have to increase current recruitment by 1,000 new workers each year to deliver the expected work between the end periods of 2020 and 2025.

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

- non-construction professional, technical, IT, and other office-based staff (250 per year)
- wood trades and interior fit out (200 per year)
- electrical trades (200 per year).

However, there would also be pressure on civil engineers and labourers 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 - NORTHERN IRELAND

	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	250	3.0%
Construction Trades Supervisors	<50	-
Wood trades and interior fit-out	200	2.2%
Bricklayers	-	-
Building envelope specialists	<50	-
Painters and decorators	<50	-
Plasterers	-	-
Roofers	-	-
Floorers	<50	-
Glaziers	-	-
Specialist building operatives nec*	-	-
Scaffolders	-	-
Plant operatives	-	-
Plant mechanics/fitters	<50	-
Steel erectors/structural fabrication	-	-
Labourers nec*	150	3.6%
Electrical trades and installation	200	3.6%
Plumbing and HVAC Trades	50	1.4%
Logistics	<50	-
Civil engineering operatives nec*	<50	-
Total (SIC 41-43)	850	
Civil engineers	100	4.4%
Other construction professionals and technical staff	100	1.8%
Architects	<50	-
Surveyors	<50	-
Total (SIC 41-43, 71.1, 74.9)	1000	1.5%

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.

For more information about the Construction Skills Network, contact:

Ian Hill

Industry Insight Manager
Ian.Hill@citb.co.uk

Karen Hunter

Project Manager, CITB NI
Karen.Hunter@citbni.org.uk

