Scotland - Workload Trends 2017 Q4

Workloads decline and outlook deteriorates

Weighted Balances (%)

Change on 12 Months Ago

Workload

2016 Q4	+16
2017 Q4	-21

Tender Prices

New Work

2016 Q4	+45
2017 Q4	+4

R&M Work

2016 Q4	+42
2017 Q4	-12

Order Books

2016 Q4	+23
2017 Q4	-43

Over the Next 12 Months

Expected Workload

2016 Q4	-2
2017 Q4	-4

Expected Orders

New Work

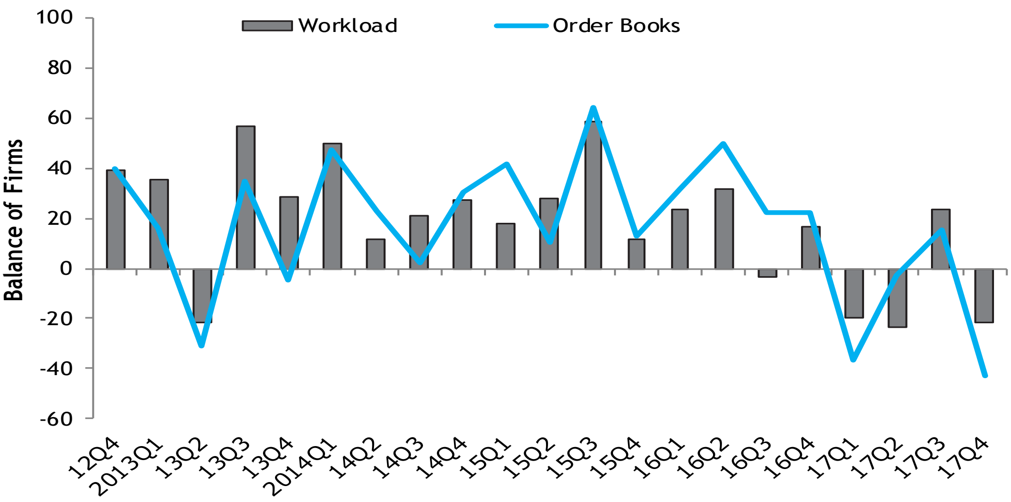
2016 Q4	-12
2017 Q4	-23

R&M Work

2016 Q4	-14
2017 Q4	0

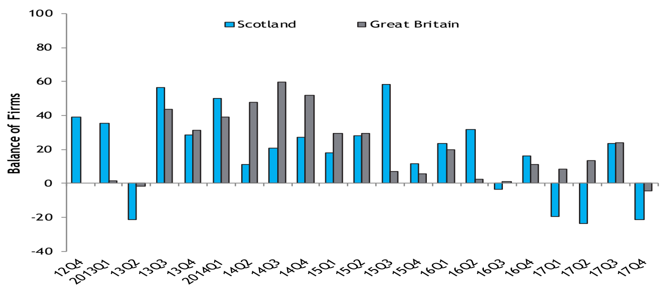
- In Q4, 21% of Scottish firms, on balance, reported a fall in workloads on a year ago.
- 43% of Scottish firms, on balance, reported that orders had decreased in Q4, the lowest in seven years.
- In Scotland, 4% of firms, on balance, expected workloads to decline over the coming year and 23%, on balance, anticipated a fall in new orders.
- Labour market conditions deteriorated in Q4 and expectations for the year ahead were mixed.
- Only 4% of Scottish firms reported an increase in tender prices, the lowest balance in five years.

Change in Workload and Order Books – Scotland



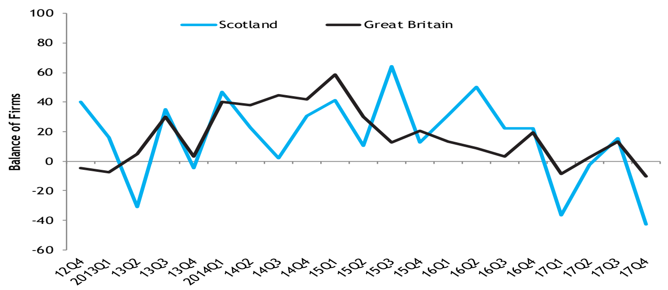
Recent Trends

Workload Compared to 12 Months Ago



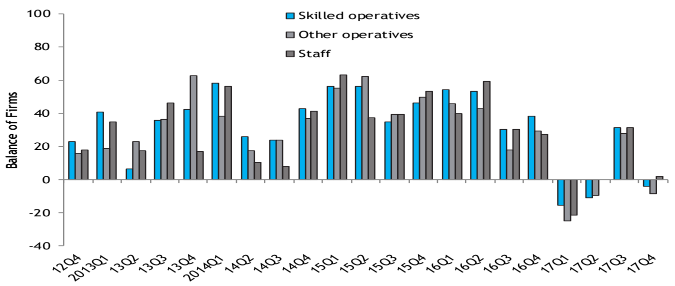
Workloads deteriorated in Scotland during the fourth quarter of 2017. On balance, 21% of respondents reported a decrease in workloads on a year ago, compared to 23% in Q3 that reported that workloads had increased. Overall, half of the respondents reported that workloads had fallen, and 29% reported that workloads had risen. In Great Britain, 4% of firms, on balance, reported that workloads decreased compared to a year ago, compared to a balance of 24% in Q3 that reported that workloads had risen. This was the first negative balance since 2013 Q2. In total, 35% of firms reported that workloads had decreased. In Wales, 33% of firms, on balance, reported an increase in workloads in Q4 following two previous quarters showing a positive balance. England was the only nation to report a positive balance (21%) in Q4.

Order Books Compared to 12 Months Ago



After reporting a positive balance in Q3 (15%), 43% of Scottish firms, on balance, reported that order books had decreased compared to 12 months ago. This was the lowest balance since 2011 Q1. Overall, 62% of respondents reported that orders had decreased, and 19% reported an increase. In Great Britain, 10% of firms, on balance, reported that order books had decreased compared to a year earlier, compared to 13% in Q3 that reported orders had increased. This was the lowest balance since 2012 Q3. In total, 43% of firms reported that orders had decreased. In Wales, 6% of firms, on balance, reported that order books had decreased, following two previous quarters reporting a positive balance. However, in England, 13% of firms, on balance, reported that order books had increased, up from 7% in Q3. Overall, 41% of respondents reported that orders had increased.

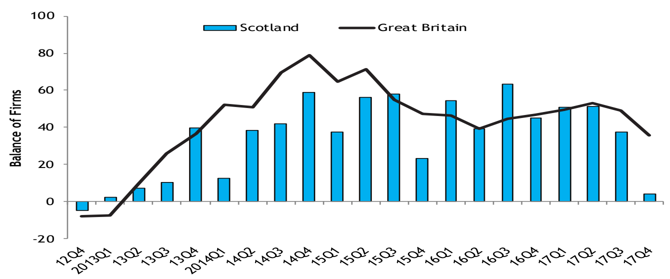
Employment Compared to 12 Months Ago



Labour market conditions deteriorated in Scotland for all types of workers in Q4. On balance, employment of skilled operatives and other operatives decreased according to 4% and 8% of firms respectively. For staff, 2% of firms, on balance, reported an increase in employment in Q4, down from 31% in Q3. In Britain, on balance, employment of staff, skilled operatives and other operatives increased according to 22%, 14% and 9% of firms, respectively. These balances were the lowest since 2017 Q1. English and Welsh firms also reported weaker balances compared to Q3. In England, on balance, employment of staff, skilled operatives and other operatives increased according to 35%, 29% and 28% of firms, respectively. In Wales, 35% and 40% of respondents reported increases in the employment of skilled operatives and staff respectively, but 5% reported a decrease in other operatives, on balance.

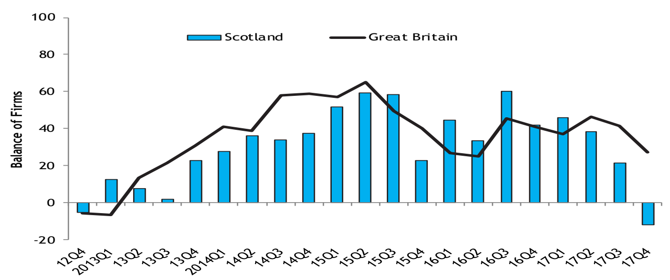
Tender Prices

Tender Prices of New Work



In Q4, Scotland recorded the weakest balance for tender prices in five years. Only 4% of Scottish firms, on balance, reported that tender prices for new work increased in Q4 with 38% of all respondents reporting higher tender prices and one-third reporting a fall. In Great Britain, tender prices for new work increased compared to 12 months ago, according to 36% of respondents, on balance, the lowest since 2013 Q4. In England, prices increased, on balance, according to 55% of respondents, and overall 58% of respondents reported rises, whilst 39% reported no change. In Wales, tender prices increased according to 45% of respondents, on balance. Overall, 55% of respondents reported higher tender prices compared to a year earlier, but 35% reported no change.

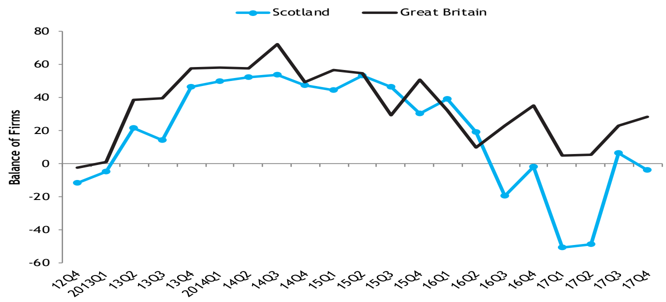
Tender Prices of R&M Work



In Scotland, 24% of respondents reported that tender prices for R&M work were lower compared to a year earlier. 40% reported that prices were unchanged and 36% of firms reported declines, leaving a negative balance of 12%, the lowest since 2012 Q3. In Britain, on balance, 27% of respondents, reported that tender prices increased compared to 12 months ago, with 45% of all respondents reporting that prices had risen. In England, 37% of firms, on balance, reported that tender prices were higher in Q4 than they were 12 months earlier, down from 43% in Q3. Half of the respondents reported that tender prices had increased. In Wales, 55% of the respondents reported increased tender prices, whilst 10% reported that they had fallen, leaving a balance of 45%.

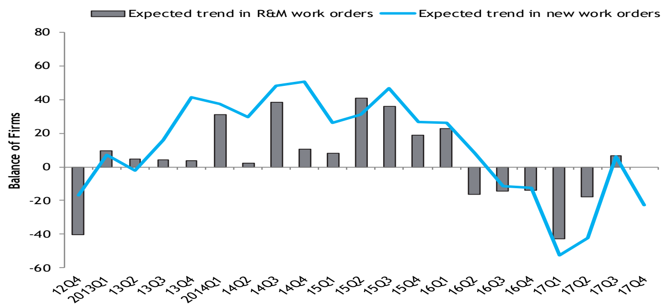
Expected Future Trends

Expected Workloads in the Next 12 Months



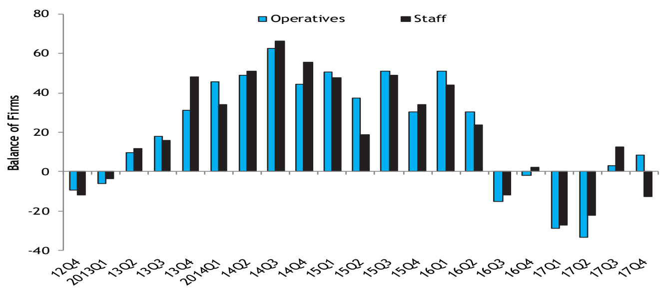
In Scotland, expectations about future workloads deteriorated in Q4, compared with the previous quarter. On balance, 4% of firms expected workloads to decrease over the next year, compared to a positive balance of 6% reported in Q3. Overall, 35% of the respondents expected workloads to decrease, and 33% expected workloads to remain unchanged. In Britain, a balance of 28% of respondents reported that they expect workloads to rise over the next year, up from 23% in Q3. 45% of firms expected workloads to remain unchanged, and 42% expected workloads to increase. English firms were the most optimistic in Q4, with half of the respondents, on balance, expecting an increase in workloads in the next 12 months. In Wales, 35% of firms, on balance expected workloads to increase in the next year, up from 25% in Q3.

Expected New Orders in the Next 12 Months



Expectations for growth in new orders over the next 12 months weakened in Q4. 23% of Scottish firms, on balance, expected orders for new work to decrease over the coming 12 months, whilst a zero balance was reported for R&M orders. Both balances fell from 6% and 7% respectively, recorded in the Q3 survey. In Britain, 14% of firms, on balance, expected order books to improve over the coming year, down from 20% in Q3. For R&M, a balance of 12% expected orders to increase during the next 12 months. In England, 36% of firms, anticipated growth in new work orders over the coming year and 30%, on balance, expected R&M orders to increase. One-quarter of Welsh firms, on balance, expected new work orders to increase, whilst for R&M orders, a negative balance (-10%) was reported.

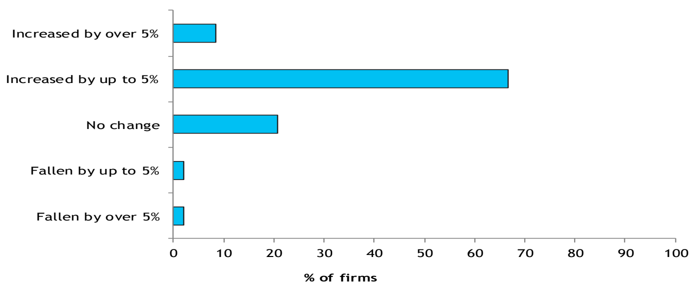
Expected Employment in the Next 12 Months



In Scotland, employment intentions for the next 12 were mixed in Q4 compared to Q3. On balance, 8% of firms expected employment to increase for operatives, but 13% anticipated employment of staff to fall over the coming year. In Britain, on balance, 29% of firms expected employment of operatives to increase and 21% expected staff employment to rise. In England, 45% and 44% of firms, on balance, anticipated a rise in operatives and staff employment, respectively. Both balances were the highest since 2016 Q4. In Wales, over the coming year, on balance, 35% of firms expected the employment of operatives to increase and 30% of firms expected staff employment to rise.

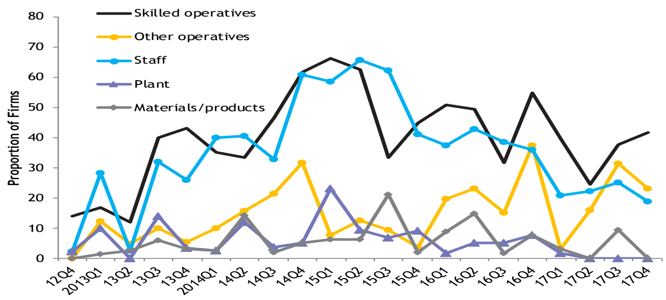
Costs and Supply Constraints

Change in Costs Compared to 12 Months Ago



In Scotland, 71% of respondents, on balance, reported that costs increased over the last 12 months, the lowest since 2013 Q4. 67% of firms reported that costs had increased by up to 5% and 8% by more than 5%, whilst 4% reported decreased costs. 21% of Scottish firms reported unchanged costs. In Britain, on balance, 82% of firms, reported that costs had risen over the last 12 months, unchanged from Q3. 81% of respondents reported increased costs by up to 5%, 5% by more than 5%, whilst 3% reported that costs had fallen. In England, 88% of firms, on balance, reported increased costs, 87% by up to 5% and 3% by more than 5%. In Wales, on balance, 85% of firms reported that costs had increased, compared to a balance of 100% reported in the previous two quarters. 90% of firms reported increased costs by up to 5%, whilst 5% of firms reported that costs had fallen by up to 5%.

Contractors Unsatisfied with Supply



In Scotland, the most cited supply issue in Q4 was skilled operatives (42%), followed by other operatives (23%) and staff (19%). No issues were reported with either materials/products or plant. In Great Britain, the most cited supply issue was skilled operatives, with 36% of respondents identifying this as an issue, followed by staff (24%) and other operatives (15%). Plant and materials/products were also cited as an issue according to 4% and 1% of respondents, respectively. In England, 37% of respondents identified supply of skilled operatives as an issue, followed by staff (32%) and other operatives (11%). For the first time since 2011 Q4, Welsh firms did not report any issues with the supply of resources or labour.

Workload Trends Survey

	Q4	2014Q1	Q2	Q3	Q4	2015Q1	Q2	Q3	Q4	2016Q1	Q2	Q3	Q4	2017Q1	Q2	Q3	Q4
Workload (% balance)	+29	+50	+11	+21	+27	+18	+28	+59	+12	+24	+32	-4	+16	-20	-24	+23	-21
Expected Workload (% balance)	+47	+50	+52	+54	+48	+45	+53	+46	+30	+39	+19	-20	-2	-51	-49	+6	-4
Order Books (% balance)	-5	+47	+23	+2	+30	+41	+11	+64	+13	+31	+50	+23	+23	-37	-3	+15	-43
Expected New Orders (% balance)																	
New Work	+41	+38	+30	+48	+51	+26	+31	+47	+27	+26	+8	-12	-12	-52	-42	+6	-23
R&M	+4	+31	+2	+38	+10	+8	+41	+36	+19	+23	-16	-14	-14	-43	-18	+7	0
Employment (% balance)																	
Skilled operatives	+42	+58	+26	+24	+43	+56	+56	+35	+46	+54	+53	+31	+38	-15	-11	+31	-4
Other operatives	+63	+39	+17	+24	+37	+55	+63	+40	+50	+46	+43	+18	+29	-25	-10	+28	-8
Staff	+17	+56	+10	+8	+42	+63	+38	+40	+54	+40	+59	+31	+27	-22	0	+31	+2
Expected Employment (% balance)																	
Operative jobs	+31	+45	+49	+63	+44	+51	+38	+51	+30	+51	+30	-15	-2	-29	-33	+3	+8
Employment of staff	+48	+34	+51	+66	+56	+48	+19	+49	+34	+44	+24	-12	+2	-27	-22	+13	-13
Costs*																	
Costs Compared with 12 Months Ago (%)																	
Falling	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2
Unchanged	11	0	0	4	0	0	3	0	4	0	0	0	0	0	0	0	2
Slower	36	14	23	19	22	15	13	0	11	2	15	21	7	6	9	3	21
Same rate	45	82	61	74	75	79	81	83	77	88	68	48	64	70	74	88	67
Faster	8	5	16	4	3	6	3	17	9	10	18	31	29	23	17	9	8
Cost (%) Balance	+42	+86	+77	+74	+78	+85	+81	+100	+82	+98	+85	+79	+93	+94	+91	+97	+71
Tender Prices (% balance)																	
New work	+40	+13	+39	+42	+59	+38	+56	+58	+23	+54	+39	+63	+45	+51	+51	+38	+4
R&M	+23	+28	+36	+34	+38	+52	+59	+59	+23	+44	+33	+60	+42	+46	+38	+21	-12
Supply of Resources Required (%)																	
Skilled Operatives	43	35	33	46	62	66	63	33	45	51	49	32	55	40	24	38	42
Other Operatives	5	10	16	21	32	8	13	9	4	20	23	15	37	3	16	31	23
Staff	26	40	40	33	61	58	66	62	41	37	43	38	36	21	22	25	19
Plant	3	3	12	4	5	23	9	7	9	2	5	5	8	2	0	0	0
Materials and Products	3	3	14	2	5	6	6	21	2	9	15	2	8	3	0	9	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 2017 Q4 Scotland survey totalled 26. 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.

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