ConstructionSkills Network 2011-2015 Northern Ireland

LABOUR MARKET INTELLIGENCE

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THE OUTLOOK FOR CONSTRUCTION IN NORTHERN IRELAND
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For more information about ConstructionSkills, please visit our website.

ConstructionSkills is the Sector Skills Council for construction, tasked by Government to ensure the UK's largest industry has the skilled workforce it requires. Working with Government, training providers and employers, it is responsible for ensuring that the industry has enough qualified new entrants and that the existing workforce is fully skilled and qualified, as well as for improving the performance of the industry and the companies within it.

1. Summary - Northern Ireland

The construction industry is predicted to expand at an annual average rate of 1.4% over the five year period to 2015, a stronger rate than for the UK as a whole (1%). The repair and maintenance (R&M) sectors (+2.5%) are expected to grow at over twice the rate of the new work ones (+1.1%), and as the former are considerably more labour intensive than the latter, employment growth is predicted to be a relatively strong 8.5% over the forecast period, compared with 7.8% in the UK as a whole. The annual recruitment requirement (ARR) for the province is projected to be 1,050, which represents 1.7% of base 2011 employment.

National / Regional comparison 2011-2015

	Annual average % change in output	Growth in total employment	Total Annual Recruitment Requirement
North East	-0.4%	4,590	2,400
Yorkshire and Humber	-0.6%	7,670	2,510
East Midlands	0.9%	7,930	3,860
East of England	2.4%	21,900	5,220
Greater London	1.8%	10,720	4,190
South East	2.2%	19,560	5,440
South West	1.1%	4,970	3,920
Wales	1.2%	10,700	4,160
West Midlands	-0.5%	9,290	2,680
Northern Ireland	1.4%	4,140	1,050
North West	-0.6%	2,510	4,090
Scotland	1.0%	11,090	3,360
UK	**1.0%**	**115,070**	**42,880**

Source: CSN, Experian
ref. CSN Explained, Section 4, Note 2

With average growth rates of **+2.5%** the repair and maintenance sectors are expected to grow at twice the rate of the new work

Key findings

It is quite unusual for an English region or devolved nation to move in a significantly different direction from the UK as a whole in terms of construction activity as so much, particularly in the private sector, is driven by the health of the economy as a whole. However, 2010 has proved to be an exception. While construction output in the UK is estimated to have risen by between 4% and 5% in real terms, for Northern Ireland the estimate is for a decline of 15%. A large part of the difference has been how the public sectors have performed in 2010, with very strong growth in public housing and public non-housing construction in the UK, but big falls in Northern Ireland.

The profile of output for 2010 colours projections for the future. As Northern Ireland will have already seen big falls in publicly funded construction in 2010, the expectation is that the decline will not be so great during the forecast period. This in part is borne out by the recent draft budget announcement by the Northern Ireland Executive. Combining the two big capital spending areas on the non-housing side, health and education, the draft budget for Northern Ireland shows capital investment in 2014/15 18% lower than in 2010/11, whereas for English regions the decline in capital budget across these two areas is 37% over the same period.

A lesser fall in public sector activity in large part explains the higher overall annual average output growth rate of 1.4% in Northern Ireland compared with 1% for the UK.

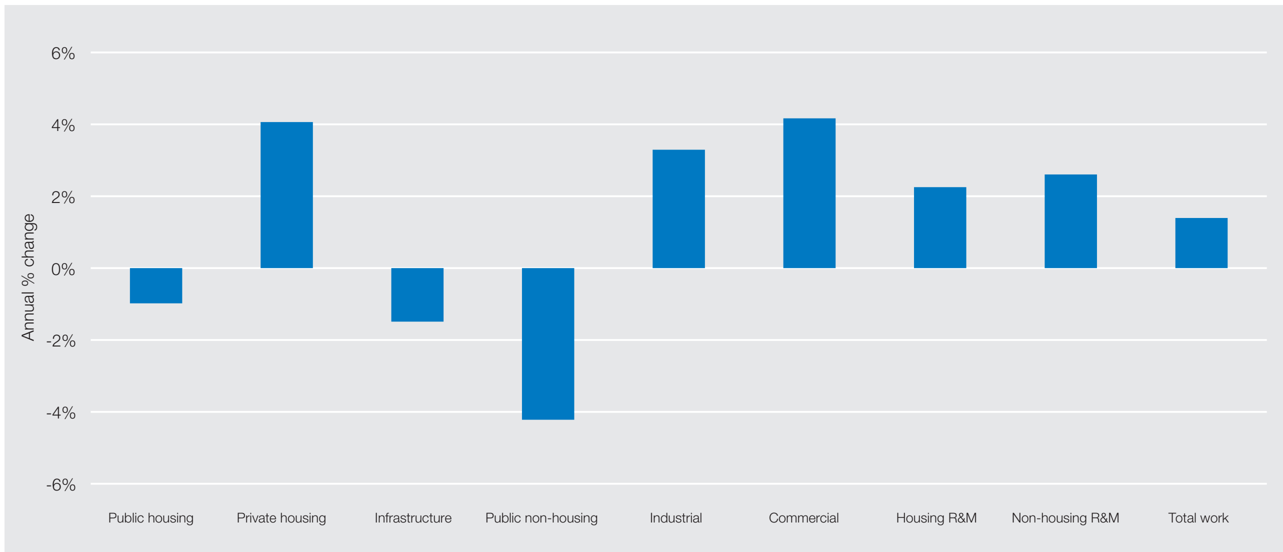
The biggest development project in the province remains the Titanic Quarter in Belfast, which is expected to generate £7bn of construction activity over a 25-year period. Work is currently ongoing on the Quarter's signature project, which is worth £97m and is due for completion in 2012.

Construction employment is expected to rise by 8.5% between 2011-2015, a slightly higher rate of growth than the UK as a whole (7.8%). However, that will still leave employment nearly 7% below its 2009 level and almost 19% down on its peak in 2007. Most in demand are expected to be labourers nec* and civil engineers, with projected increases in these two occupations of 16% and 15% respectively over the five-year forecast period.

The annual average recruitment requirement (ARR) for Northern Ireland is estimated at 1,050, with the biggest requirements in absolute terms for labourers nec* (200) and wood trades and interior fit-out occupations (160). The former's requirement is largely driven by its high level of employment growth, while for the latter it is the substantial size of the occupational category.

Titanic Signature Building, Belfast

Annual average construction output growth 2011-2015 - Northern Ireland



Source: CSN, Experian
ref. CSN Explained, Section 4, Note 2

*nec - not elsewhere classified

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2. The outlook for construction in Northern Ireland

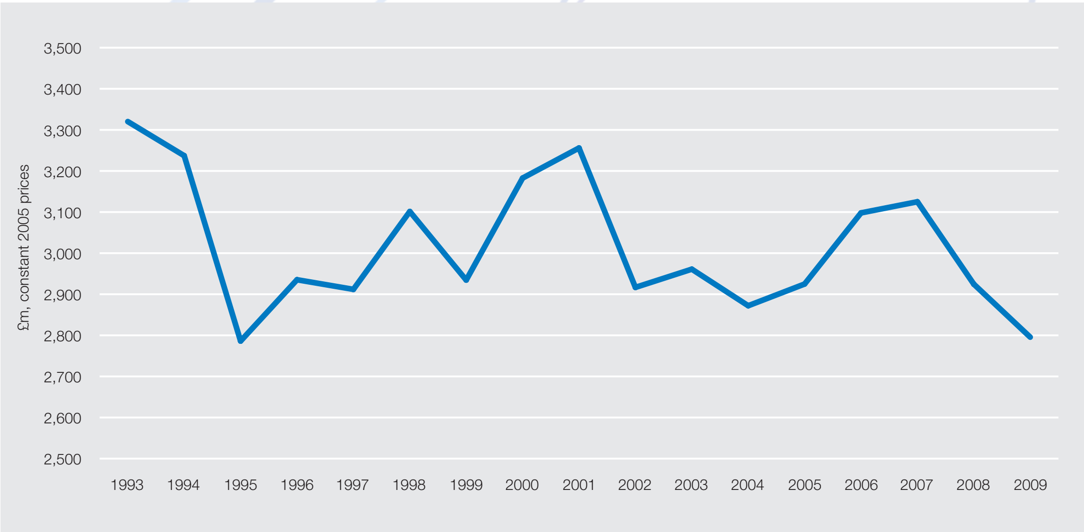
2.1 Construction output in Northern Ireland – overview

Construction output in Northern Ireland totalled just under £2.8bn in 2005 prices in 2009, a 4% decline on 2008's level. This was a much lesser fall than seen across the UK as a whole (11.5%), but came on top of a 6% drop in 2008. The decline was entirely centred in the new work sector, down by -5%, with R&M output remaining stable.

There was a very obvious public/private divide in how the new work sectors performed in 2009, with public housing, public non-housing and infrastructure, which is much more public in Northern Ireland than in the UK as a whole, experiencing growth and the private housing, industrial and commercial sectors with falling activity.

Growth was strongest in public non-housing construction (+15%), not surprising seeing the impetus that the Northern Ireland Investment Strategy should be giving to the sector. In contrast, industrial and commercial construction fell heavily, the former as manufacturing output declined due to the global recession and the latter as demand for new office, retail and leisure premises melted away.

Construction output 1993-2009 - Northern Ireland



Source: ONS
ref. CSN Explained, Section 4, Note: 1

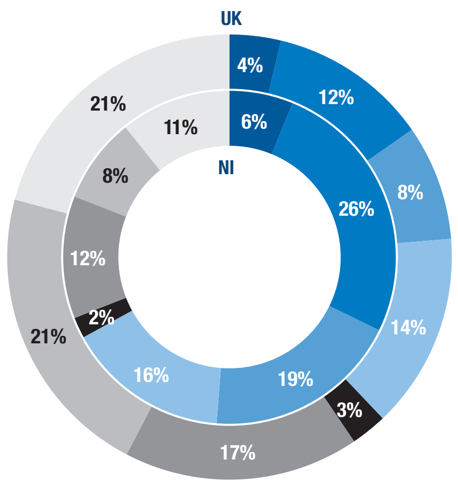
2.2 Industry structure

The diagram, Construction industry structure 2009 – UK vs. Northern Ireland, illustrates the sector breakdown of construction in Northern Ireland compared to that in the UK. Effectively, the percentages for each sector illustrate what proportion of total output each sector accounts for.

The first thing that is always apparent from this comparison is the small size of the R&M markets in Northern Ireland compared with the UK as a whole. The main beneficiaries of this difference on the new work side are the private housing and infrastructure markets, with both taking over twice the share they do in the UK as a whole.

Perhaps surprising considering the province's much higher reliance on public services in its economy as a whole, the share of the public non-housing construction sector is not significantly higher than it is across the UK as whole.

Construction industry structure 2009 - UK vs. Northern Ireland



Source: ONS, Experian

Public housing
Private housing
Infrastructure
Public non-housing
Industrial
Commercial
Housing R&M
Non-housing R&M

Economic structure - Northern Ireland (£ billion, 2006 prices)

Selected sectors	Actual	Forecast Annual % change, real terms					
	2009	2010	2011	2012	2013	2014	2015
Public services	7.6	-0.2	-0.9	-0.4	0.3	0.5	0.9
Financial and business services	3.5	0.0	1.5	1.6	1.5	1.1	1.8
Transport and communications	1.3	0.3	3.0	2.5	2.1	2.3	2.3
Manufacturing	3.7	0.4	1.7	2.0	2.0	2.2	2.4
Distribution, hotels and catering	3.8	2.0	1.8	1.8	1.9	1.9	1.9
Total Gross Value Added (GVA)	**25.1**	**-0.8**	**1.2**	**1.3**	**1.2**	**1.1**	**1.4**

Source: Experian
ref. CSN Explained, Section 4, Note 3

2.3 Economic overview

The expected performance of a regional or national economy over the forecast period provides an indication of the construction sectors in which demand is likely to be strongest.

2.4 Economic structure

The Northern Ireland economy was worth £25.1bn in 2006 prices in 2009, a 5.5% decline on the previous year. This was a somewhat worse outcome for the year than for the UK as a whole, which had a 4.8% decline.

Northern Ireland, along with Wales, remains the most exposed economy to public expenditure cuts, with the public sector in both devolved nations taking a share of gross value added (GVA) in excess of 30%, compared with around 24% for the UK as a whole. However, this share has been slowly declining over the past 20 years, it was over 40% in the early 1990s.

In contrast the importance of the financial and business services sector has been increasing for the Northern Ireland economy, with its share of total GVA rising from 5% in 1990, to over 14% in 2009, which still remains well below the UK average of nearly 26%.

In GVA terms construction accounted for just below 8% of the Northern Ireland economy in 2009, a little more than for the UK as a whole (6%), although its importance to the province's economy has been in decline since the early 1990s when it accounted for 12% of total GVA.

2.5 Forward looking economic indicators

On an annual average basis, the Northern Ireland economy is expected to grow at a rate of 1.2% between 2011 and 2015, slower than the UK as a whole which is forecast to expand at 2% a year. This slower growth also comes after a year of decline in the province, estimated at -0.8%, in contrast to the recovery in the UK of around +1.8%.

The transport and communications sector is projected to be the fastest growing in Northern Ireland between 2011 and 2015, with an annual average growth rate of 2.4%, with manufacturing following with a rate of 2.1%, driven in part by good export performance. Annual average growth in the financial and business services sector is only expected to be a fairly moderate 1.5%, while output in the public services sector will stagnate in real terms over the period.

Real household disposable incomes are not forecast to see any significant growth until 2013 as tax increases, benefit cuts, and rising unemployment put pressure on household finances. It is thus not surprising that household consumption is projected to grow at an average of only 1.3% a year. The debt-to-income ratio peaked in Northern Ireland in 2007 at 0.86. It has since fallen to 0.82 and it projected to continue to decline to around 0.77 by 2015. Overall levels of indebtedness remain only around half their UK level.

According to Communities and Local Government (CLG), average house prices in Northern Ireland in 2009 were £178,536. This represented a 16% fall on the previous year, by far the largest decline in any region or devolved nation and twice the rate of the UK as a whole. House prices are estimated to have declined by a further 5% to 6% in 2010 and the prospects are for only very modest rises in the medium term. The Northern Ireland housing market is suffering a very big hangover following a more than doubling of house prices between 2004 and 2007.

The impact of relatively weak economic growth in the province on employment is that total employment will continue to decline to 2012, and growth thereafter is projected to be muted.

Economic indicators - Northern Ireland (£ billion, 2006 prices - unless otherwise stated)

	Actual	Forecast Annual % change, real terms					
	2009	2010	2011	2012	2013	2014	2015
Real household disposable income	22.5	0.0	-1.0	0.3	1.0	1.5	1.8
Household spending	20.6	0.4	2.1	0.5	0.9	1.4	1.7
Debt:Income ratio	0.82	0.78	0.77	0.77	0.77	0.77	0.76
House prices (Index 2003 = 100)	165	156	158	158	162	165	169
LFS unemployment (millions)	0.056	0.047	0.046	0.048	0.046	0.044	0.042

Source: ONS, DCLG, Experian

Continued

2. The outlook for construction in Northern Ireland

2.6 Construction output – short-term forecasts (2011–2012)

Construction output data for Northern Ireland is published by the Department of Finance and Personnel and at the time of writing data was available for the first half of 2010, although unlike the English regions and other devolved nations, an estimate of output in constant prices is made. No new orders data is available for the province.

In contrast to Great Britain, construction output in Northern Ireland declined in the first two quarters of 2010, and at £1.22bn in 2005 prices was 9% below its level in the previous half year and 13% down on the first half of 2009. The quarterly outturn for the second quarter of 2010, at £591m in 2005 prices was a new low.

Declines in activity were pretty much across the board, with output particularly weak in the infrastructure, commercial and housing R&M sectors. Only the infrastructure R&M and public non-housing R&M sectors demonstrated growth in the first half of last year compared with the previous two comparable periods. While outturn for the UK as a whole in 2010 is estimated to have been positive, construction output in Northern Ireland is likely to have declined by a very steep 15% in real terms. It is this fall in construction activity that is largely driving the poor overall economic performance of the province last year.

The rate of decline in the Northern Ireland construction industry is expected to moderate in 2011 and the sector to start expanding again in 2012, giving an annual average growth rate for 2011-12 of 0.6%.

There is a very clear divergence of performance between the public and private sectors in the short term, with the former suffering the effects of public expenditure cuts. The bulk of the 37% fall in Departmental Capital Budget for the province comes in the 2011/12 financial year, and this is bound to impact on public housing, infrastructure and public non-housing work.

Private housing output is estimated to have fallen to a new historic low of £675m in 2005 prices since sector breakdowns were available from 2000. With the housing market remaining weak, the recovery in house building is not expected to be robust, but moderate growth, averaging around 6.4% a year in 2011 and 2012, is likely.

In the infrastructure sector, eight roads projects with Investment Strategy (ISNI) funding have already been completed, including the new construction elements of two large design, build, finance and operate (DBFO) projects. Only one project is currently in delivery, the £45m to £60m A2 Broadbridge dualling scheme, suggesting that infrastructure output is likely to fall further in the short term.

In contrast to the infrastructure sector, activity is projected to increase overall in the industrial and commercial construction sectors. Manufacturing output growth is expected to recover slowly from its 2009 decline, and reach 2% by 2012, helped by a good export performance. In the commercial sector, demand has been returning for new office, retail and leisure premises, albeit patchily, and while output in the sector is likely to fall again in 2011, it should pick up reasonably strongly in 2012. In the Titanic Quarter, the £97m signature project, a tourist attraction based on the story of the RMS Titanic, is ongoing and due to complete in 2012.

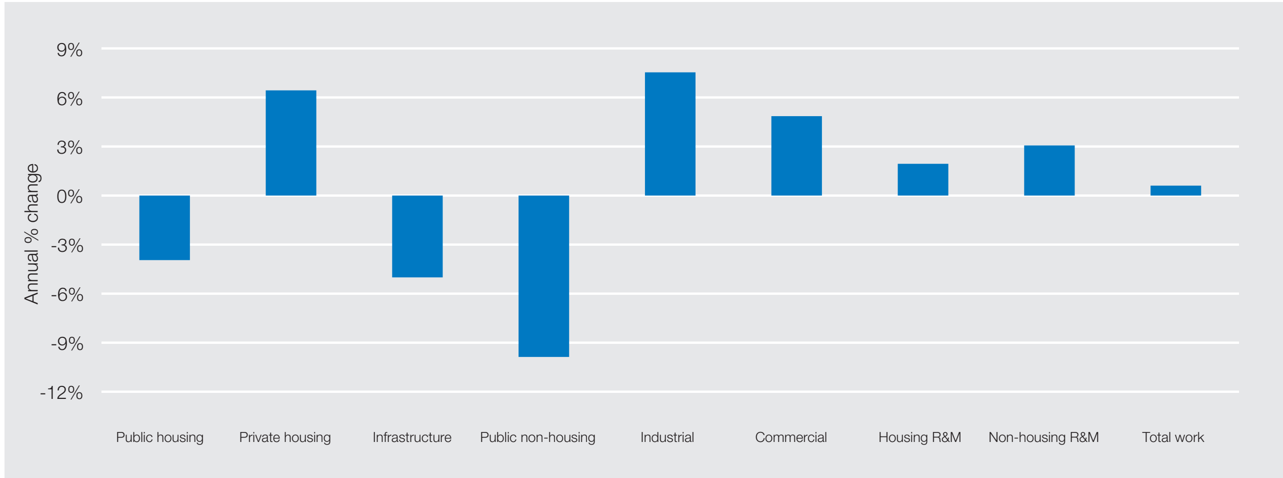
The weakness of the housing R&M sector in 2010 was something of a surprise considering that the £120m-£140m Warm Fronts/ Fuel Poverty scheme is currently up and running. Funding for this scheme across the UK as a whole is due to fall from £350m in 2010/11 to £100m in 2012/13, inevitably affecting the level of finance available in Northern Ireland.

Construction output - Northern Ireland (£ million, 2005 prices)

	Actual 2009	Forecast annual % change			Annual average 2011-2012
		2010	2011	2012	
Public housing	173	-23%	-5%	-3%	-3.9%
Private housing	728	-7%	6%	7%	6.4%
Infrastructure	531	-24%	-10%	0%	-5.0%
Public non-housing	441	-15%	-10%	-10%	-9.9%
Industrial	57	-4%	7%	8%	7.5%
Commercial	332	-21%	-3%	13%	4.9%
New work	**2,262**	**-16%**	**-2%**	**3%**	**0.1%**
Housing R&M	232	-15%	0%	4%	1.9%
Non-housing R&M	301	-9%	3%	3%	3.1%
Total R&M	**533**	**-11%**	**2%**	**4%**	**2.6%**
Total work	**2,796**	**-15%**	**-2%**	**3%**	**0.6%**

Source: Experian
ref. CSN Explained, Section 4, Notes 1 and 2

Annual average construction output growth 2011-2012 - Northern Ireland



Source: Experian
ref. CSN Explained, Section 4, Note 2

2. The outlook for construction in Northern Ireland

2.7 Construction output – long-term forecasts (2011–2015)

Annual average output growth in Northern Ireland is projected to be 1.4%, higher than the UK average of 1%. This may initially appear counter-intuitive, given the province's lower than average economic growth rate over the same period. However, Northern Ireland seems to be taking its 'hit' from falling public sector construction activity earlier than the rest of the UK. For example, over the forecast period the declines in the public non-housing sector are not quite as strong in the province as in the UK as a whole.

As has already been mentioned, most of the decline in the capital budget for Northern Ireland takes place early in the period, with the expenditure limit falling by £319m to £0.9bn in 2011/12 from the previous financial year. A further fall to £0.8bn in 2013/14 is planned.

Ultimately, the health of construction in Northern Ireland will be influenced by how this drop in the capital budget plays out on proposed Investment Strategy expenditure over the 2012 to 2018 period. The indicative spending plans for the 2012-2018 period across the main areas with a significant construction element were:

- Roads - £2.48bn
- Schools and Youth Services - £2.79bn
- Further and Higher Education - £366m
- Hospital Modernisation - £1.81bn
- Regeneration - £203m
- Housing - £892m
- Water and Waste Water - £1.49bn

Over the six year period, this would indicate an annual average investment of £1.67bn. While by no means all of this would have been for construction services, a significant proportion would, and with the overall capital expenditure limit for the province down to between £0.8bn and £0.9bn between 2013 and 2015, it is difficult to avoid the conclusion that investment will be lower than that put forward above.

The public housing, infrastructure and public non-housing sectors are all expected to experience overall declines in construction activity between 2011-2015, with annual average falls of 1%, 1.5% and 4.2% respectively. As yet only one project is on hold according to ISNI, the £320m-£370m regeneration of the north east quadrant of Belfast City Centre, but expect more to follow.

On the private side there is a new £360m shopping centre development, with a housing element, planned for Cathedral Way in Belfast, and a £200m retail and leisure scheme as part of Omagh City Vision, both with indicative start dates during 2012. Progress of projects can never be guaranteed, however should both these projects go-ahead they would provide a significant boost to the commercial construction sector over the forecast period.

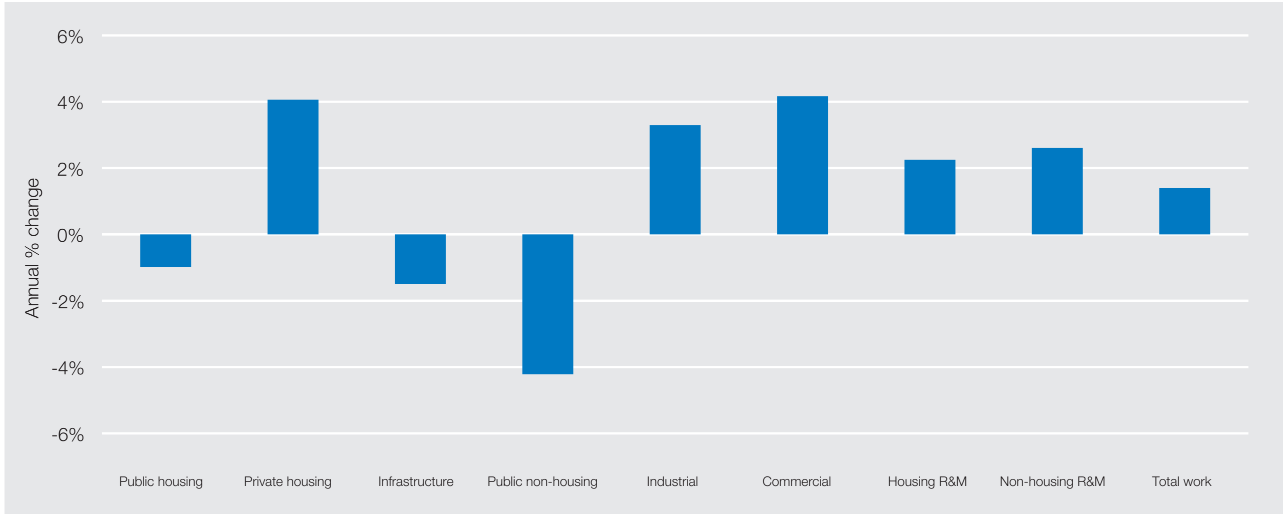
The R&M sectors are expected to grow at a faster rate than the new work ones between 2011 and 2015, which is in line with the UK profile. There are a number of reasons for this, which are generally applicable UK-wide. The ongoing fragility of the housing market and relatively low levels of transactions are likely to lead at some point to those staying put enhancing their current properties, especially once disposable income starts to grow again. In the public sector ongoing works to improve the quality of the stock should provide a reasonable activity stream. The increasing focus on sustainability will inevitably lead to rising levels of retrofitting in both the housing and non-housing sectors, particularly as new and innovative methods of funding these improvements, such as the Green Deal, are developed.

Construction output - Northern Ireland (£ million, 2005 prices)

	Estimate 2010	Forecast annual % change					Annual average 2011-2015
		2011	2012	2013	2014	2015	
Public housing	134	-5%	-3%	0%	-1%	5%	-1.0%
Private housing	675	6%	7%	3%	3%	2%	4.1%
Infrastructure	402	-10%	0%	0%	0%	3%	-1.5%
Public non-housing	376	-10%	-10%	-7%	0%	6%	-4.2%
Industrial	55	7%	8%	1%	0%	0%	3.3%
Commercial	264	-3%	13%	5%	5%	2%	4.2%
New work	**1,906**	**-2%**	**3%**	**1%**	**2%**	**3%**	**1.1%**
Housing R&M	198	0%	4%	2%	3%	3%	2.3%
Non-housing R&M	275	3%	3%	3%	2%	2%	2.6%
R&M	**473**	**2%**	**4%**	**3%**	**2%**	**2%**	**2.5%**
Total work	**2,378**	**-2%**	**3%**	**1%**	**2%**	**3%**	**1.4%**

Source: CSN, Experian
ref. CSN Explained, Section 4, Note 2

Annual average construction output growth 2011-2015 - Northern Ireland



Source: CSN, Experian
ref. CSN Explained, Section 4, Note 2

Private housing, repair and maintenance, and commercial work will drive output growth from **2012**

3. Construction employment forecasts for Northern Ireland

3.1 Total construction employment forecasts by occupation

The table presents actual construction employment (SIC 45 and 74.2) in Northern Ireland for 2009, the forecast total employment in 26 occupational groups and in the industry as a whole between 2011 and 2015. A full breakdown of occupational groups is provided in Section 5 of CSN Explained.

In 2015, total construction employment in Northern Ireland is expected to total just over 66,000, nearly 19% down on its 2007 peak of around 81,100. By the end of 2011 construction employment in the province will have fallen for four years, and the peak to trough decline on an annualised basis is projected to be 25%. It should be noted that employment in Northern Ireland has probably also been affected by the collapse of the construction sector in the Republic of Ireland, as there is evidence of significant cross-border activity in the good times.

Employment is expected to start rising again in 2012, but the expansion will be slow and between 2011 and 2015 overall growth is projected to be around 8.5%.

The wood trades and interior fit-out occupational group accounts for a higher level of construction employment in Northern Ireland (16%) than the UK as a whole (11%) and its share is predicted to grow towards 17% over the forecast period. Not surprisingly it has the largest absolute growth in employment (920) between 2011 and 2015, although in percentage terms the workforce only expands by 9%.

The biggest growth rates are for labourers nec* (16%) and civil engineers (15%), both occupations that benefit strongly across the whole range of construction sectors.

Only low growth is forecast for steel erectors/structural (3%) and surveyors (4%), the former suffering from a lack of large projects requiring a steel structure.

Total employment by occupation - Northern Ireland

	Actual 2009	Forecast	
		2011	2015
Senior, executive, and business process managers	1,260	1,010	1,130
Construction managers	3,130	2,580	2,740
Non-construction professional, technical, IT, and other office-based staff	7,890	6,820	7,310
Wood trades and interior fit-out	11,340	10,030	10,950
Bricklayers	3,280	2,940	3,130
Building envelope specialists	2,230	2,000	2,250
Painters and decorators	2,730	2,310	2,410
Plasterers and dry liners	3,000	2,530	2,740
Roofers	1,990	1,790	1,980
Floorers	610	510	520
Glaziers	1,010	1,000	1,100
Specialist building operatives nec*	1,930	1,780	2,040
Scaffolders	580	430	460
Plant operatives	4,010	3,090	3,250
Plant mechanics/fitters	810	860	920
Steel erectors/structural	1,110	890	920
Labourers nec*	3,810	2,840	3,290
Electrical trades and installation	6,920	6,200	6,480
Plumbing and HVAC Trades	4,080	3,650	4,110
Logistics	1,050	780	830
Civil engineering operatives nec*	590	410	450
Non–construction operatives	590	490	540
Civil engineers	2,460	2,140	2,470
Other construction professionals and technical staff	2,640	2,210	2,350
Architects	1,130	1,050	1,140
Surveyors	610	520	540
Total (SIC 45)	**63,950**	**54,940**	**59,550**
Total (SIC 45 and 74.2)	**70,790**	**60,860**	**66,050**

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

*nec - not elsewhere classified

3.2 Annual recruitment requirements (ARR) by occupation

The ARR is a gross requirement that takes into account workforce flows into and out of construction, due to such factors as movements between industries, migration, sickness, and retirement. However, these flows do not include movements into the industry from training, although robust data on training provision is being developed by ConstructionSkills under the guidance of the Skills Provision Committee. Thus, the annual recruitment requirement provides an indication of the number of new employees that would need to be recruited into construction each year in order to realise forecast output.

The ARR between 2011 and 2015 for the 26 occupational groups within Northern Ireland's construction industry is illustrated in the table. The ARR of 1,050 is indicative of the average requirements per year for the industry, as based on the output forecasts for the region. This takes into account 'churn', flows into and out of the industry, excluding training flows.

Of the trade occupations, labourers nec* (200) and wood trades and interior fit out (160) have the largest ARRs. However as a percentage of the 2011 employment base, scaffolders have the highest proportional requirement (20%).

Northern Ireland's construction industry is the smallest of the devolved nations and English regions, both in output and employment terms. Thus in the current climate, with still falling employment creating an increasing 'pool' of excess labour, a significant proportion of the 26 occupational categories have little or no recruitment requirement over the five years to 2015.

Please note that all of the ARRs presented in this section are employment requirements and not necessarily training requirements. This is because some new entrants to the construction industry, such as skilled migrants or those from other industries where similar skills are already used, will be able to work in the industry without the need for retraining.

Non-construction operatives is a diverse occupational group including all of the activities under the SIC 45 and SIC 74.2 umbrella that cannot be classified elsewhere, such as cleaners, elementary security occupations nec and routine inspectors and testers. The skills required in these occupations are highly transferable to other industries and forecasting such movement is hazardous given the lack of robust supportive data. Therefore the ARR for non-construction operatives is not published.

Annual recruitment requirement by occupation - Northern Ireland

	2011-2015
Senior, executive, and business process managers	70
Construction managers	<50
Non-construction professional, technical, IT, and other office-based staff	-
Wood trades and interior fit-out	160
Bricklayers	70
Building envelope specialists	<50
Painters and decorators	-
Plasterers and dry liners	<50
Roofers	<50
Floorers	<50
Glaziers	<50
Specialist building operatives nec*	80
Scaffolders	90
Plant operatives	-
Plant mechanics/fitters	70
Steel erectors/structural	<50
Labourers nec*	200
Electrical trades and installation	-
Plumbing and HVAC Trades	80
Logistics	-
Civil engineering operatives nec*	-
Non–construction operatives	-
Civil engineers	60
Other construction professionals and technical staff	-
Architects	<50
Surveyors	50
Total (SIC 45)	**930**
Total (SIC 45 and 74.2)	**1,050**

Source: CSN, Experian
ref. CSN Explained, Section 4, Notes 5 and 6

*nec - not elsewhere classified

4. Comparisons across the UK

An annual average growth rate of 1.4% between 2011 and 2015 for Northern Ireland means that construction in the province is projected to outperform the UK as a whole. However, this rate of growth is still well below the best performing region, the East of England, with a predicted growth rate of 2.4% a year.

Public expenditure cuts announced in the 2010 Emergency Budget and the subsequent Spending Review in October will inevitably have a negative effect on public non-housing output across the UK. However, by how much the English regions will be affected largely depends on their level of exposure to the Building Schools for the Future (BSF) programme. Those regions with a larger number of BSF schemes in the early part of the programme (Waves 1-4), which have mostly escaped cancellation, will see a much higher fall off in activity once those projects are completed than those with relatively few schemes. However, the devolved nations are outside of the BSF programme. Recent budget announcements from the Northern Ireland Executive indicate that capital investment in the education sector will fall by over 40% between 2010/11 and 2012/13, but will rise again in 2014/15. Overall Northern Ireland is projected to experience a much smaller decline in public non-housing output (4.2% annual average) than the UK as a whole (12.4%), but this is largely as a result of a bad 2010 in the province while the rest of the UK still saw rising output in the sector.

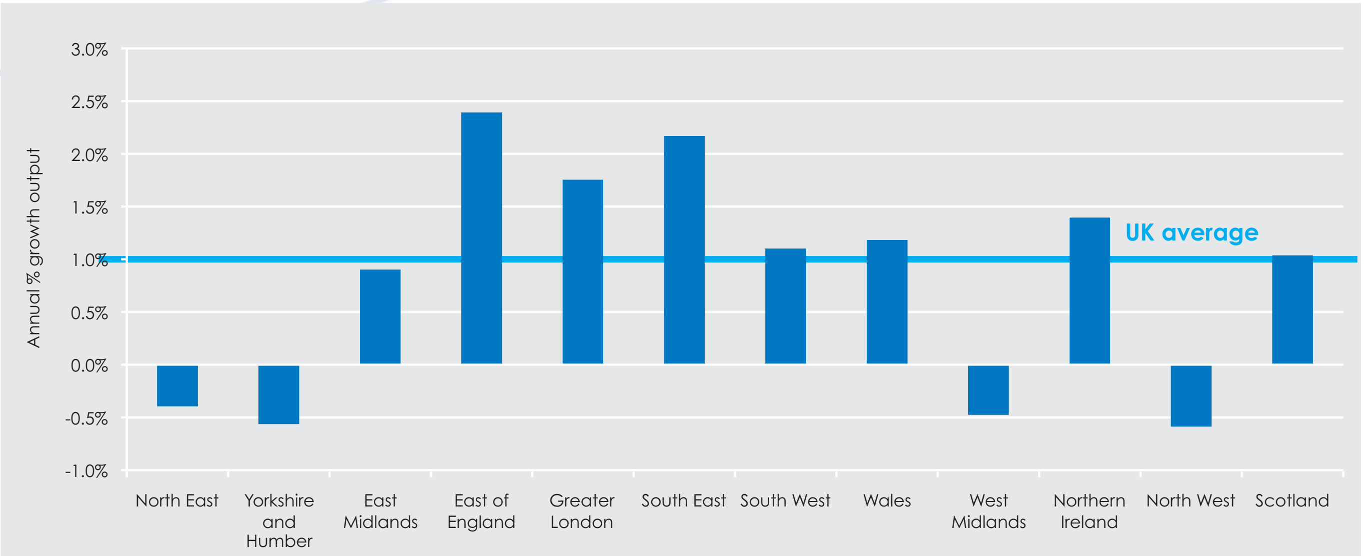
The public housing sector has been hit hard by the cuts in government expenditure going forward, with only £4.4bn available for the English regions between 2011 and 2015, compared with the £8.4bn funding through the 2008-11 National Affordable Housing Programme. Our forecasts suggest that for the UK as a whole, public sector housing will decline at an annual average rate of 5.6% over the 2011-2015 period, although the North East and the East Midlands are expected to significantly underperform with double-digit contractions. The decline for Northern Ireland is expected to be much shallower over the forecast period at an annual average rate of 1%. Again, this is based on the fact, that while public housing output across the UK as a whole is estimated to have grown very strongly in 2010 (+35%), it declined by 23% in Northern Ireland.

On a more positive note, the private housing sector should be the strongest performer in UK construction, with an annual average rate of increase of 6% between 2011 and 2015, well above the industry average of 1%. Yorkshire and Humber's sector is likely to be especially buoyant, with a growth rate of 9.7%. Greater affordability in the region as the house price to earnings ratio is expected to remain below the national average, along with easier access to mortgage finance will be vital in driving growth. Northern Ireland's annual average growth rate for the sector is forecast to be 4.1%, below the UK average, as the province's housing market continues to adjust after runaway house price inflation between 2004 and 2007.

In the UK, both the infrastructure and industrial sectors are predicted to grow at an annual average rate of 4.4% over the five years to 2015. Greater London has a number of large transport projects, the biggest of which are Crossrail, worth an estimated £14.6bn on revised figure, and the £5.5bn Thameslink scheme, although there are other sizeable infrastructure schemes such as Thames Tideway, Heathrow Terminal East and various Underground station upgrades. Large transport schemes can dictate demand for distribution facilities, such as warehouses, hence the strength of industrial construction growth in the East of England at 9% a year to 2015 on the back of the construction of the new London Gateway port.

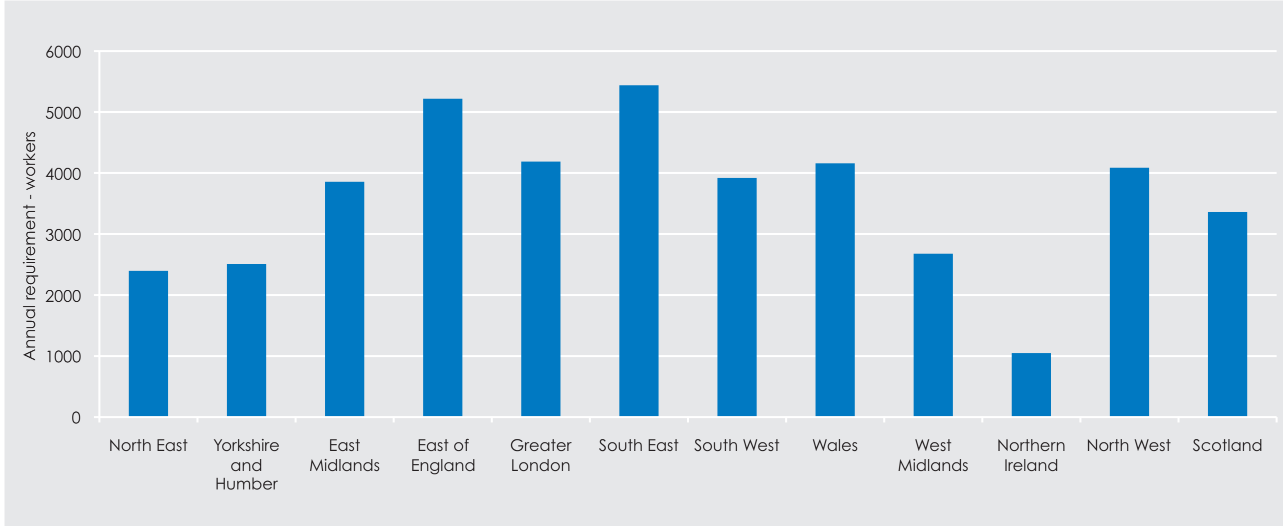
Employment growth in Northern Ireland between 2011 and 2015 is predicted to be a little stronger than in the UK as a whole, increasing by 8.5% compared with the UK figure of 7.8%, reflecting the provinces somewhat higher output growth rate. At 1,050, the annual recruitment requirement over the forecast period is equivalent to 1.7% of base 2011 employment, similar to the UK ratio of 1.8%.

Annual average output growth by nation / region 2011-2015



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

Annual recruitment requirement (ARR) by nation / region 2011-2015



Source: CSN, Experian

The Peace Bridge, Derry-Londonderry

At 1,050, the ARR represents 1.7% of base 2011 employment.

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Alliance
Sector Skills Councils

CITB-ConstructionSkills, CIC and CITB Northern Ireland are working as ConstructionSkills, the Sector Skills Council for Construction. (CITB-ConstructionSkills Registered Charity Number 264289)