



ConstructionSkills Network 2011-2015 East Midlands

LABOUR MARKET INTELLIGENCE





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Labour Market Intelligence

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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.

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1. Summary - East Midlands

Construction output in the East Midlands is predicted to grow at an annual average rate of 0.9% between 2011 and 2015, a marginally weaker increase when compared with the UK as a whole (1%). The repair and maintenance (R&M) sector (1.8%) should perform better than new work (0.3%), with the latter being weighed down by the declining public housing and public non-housing sectors. Total construction employment in the region is forecast to reach 162,440 in 2015, up 7.4% on the 2011 projected outturn and 2.2% above the 2009 result.

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



The private housing sector is predicted to be the most buoyant between **2011 and 2015** with annual average growth of around **8.1%** over the period, although output will be rising from a very low base

Key findings

Public housing output is predicted to see year-on-year contractions in each of the forecast years, with the sharpest declines expected to materialise in 2011 and 2012. The near 50% cut in the funding available to 2014, compared with the National Affordable Housing Programme (NAHP) for 2008-11, is likely to result in double digit declines both this year and next, especially considering that output will be falling from a historical high. However the rate of contraction should ease in the later part of the forecast period.

In contrast the private housing sector is predicted to be the most buoyant with an annual average growth rate of 8.1% between 2011 and 2015. Following significant declines in 2008 and 2009, it is estimated that output grew in 2010. The sector is likely to continue building momentum this year and next, giving double digit increases. The relatively modest house price boom in the region during 2004-2007 and good income growth over the last decade leaves the region's housing market in a better position to make a recovery than other parts of the UK.

At 1.3%, the projected annual average growth rate for East Midlands' infrastructure sector is weaker than the UK mean (4.4%). Although short-term prospects for the sector are good – with Phase 2 of Nottingham Express Transit scheme providing a boost – there is little in the pipeline thereafter. Unsurprisingly, the public non-housing sector is predicted to fare badly between 2011 and 2015. Output is forecast to decline in each of the years to 2014 as the cancellation of the Building Schools for the Future (BSF) programme impacts on the sector – although this is likely to be the case across all of the English regions.

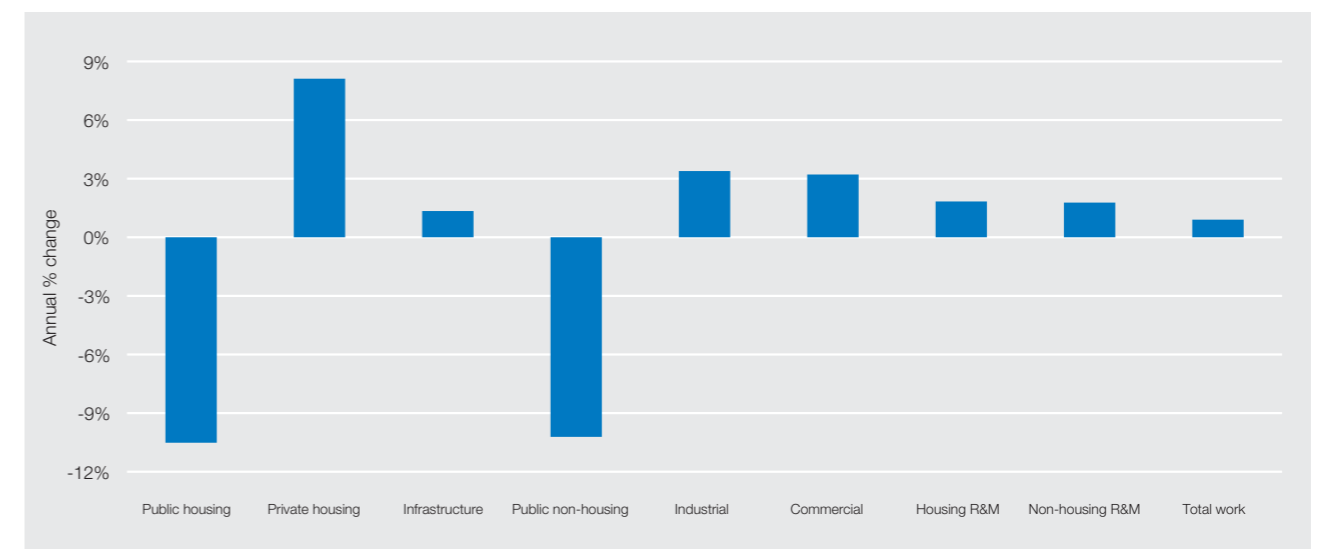
Activity levels in the industrial and commercial construction sectors are predicted to be relatively subdued in the East Midlands over the forecast period. The former is predicted to grow by 3.4% and the latter by 3.2%, on an annual average basis – weaker than the projected outturns for the UK as a whole (4.4% and 4.6%, respectively). The region has been shifting away from the low value-added manufacturing sector in recent years and therefore is not in as strong a position to benefit from the upturn in exports, which by implication is likely to result in weaker demand for new industrial facilities. In the commercial sector, slow growth in household disposable incomes and the region's dependence on the public sector is likely to suppress demand for new space as government cuts take effect.

Labourers nec* (15.3%) and civil engineers (14.3%) are predicted to see the largest increases in employment between 2011 and 2015, although in absolute terms, wood trades and interior fit-out occupation should experience the biggest rise (1,430). At 3,860, the projected annual recruitment requirement for the region is representative of 2.6% of base 2011 employment.



Lincoln Cathedral

Annual average construction output growth 2011-2015 - East Midlands



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

2. The outlook for construction in the East Midlands

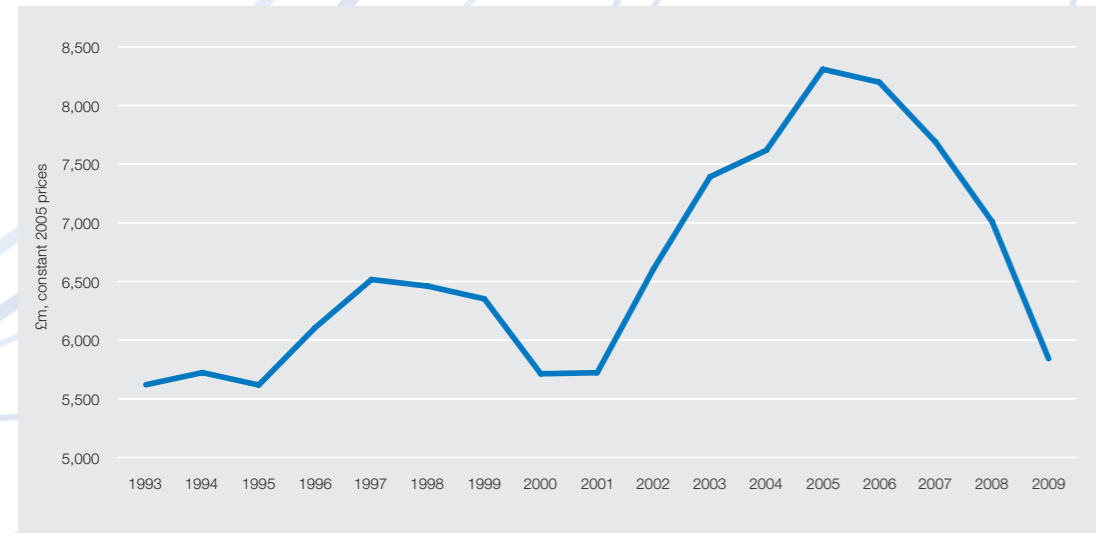
2.1 Construction output in the East Midlands – overview

Total construction output in the East Midlands decreased by almost 17% in 2009, a sharper decline than the UK average (-12%). Over the same period, new work output fell by 17% to £3.3bn (in 2005 prices), while the repair and maintenance (R&M) sector contracted by 16% to almost £2.5bn.

The only sector in the East Midlands to experience any growth in 2009 was the public non-housing one, seeing a rise in output of 30% to £855m. Both the private housing and industrial sectors declined by 45%, while the public housing and commercial sectors saw contractions of 11% and 10%, respectively.

The non-housing R&M sector fared worse than housing R&M, with the former experiencing a 20% fall in output to £1.2bn and the latter seeing a 12% decline to £1.3bn.

Construction output 1993-2009 - East Midlands



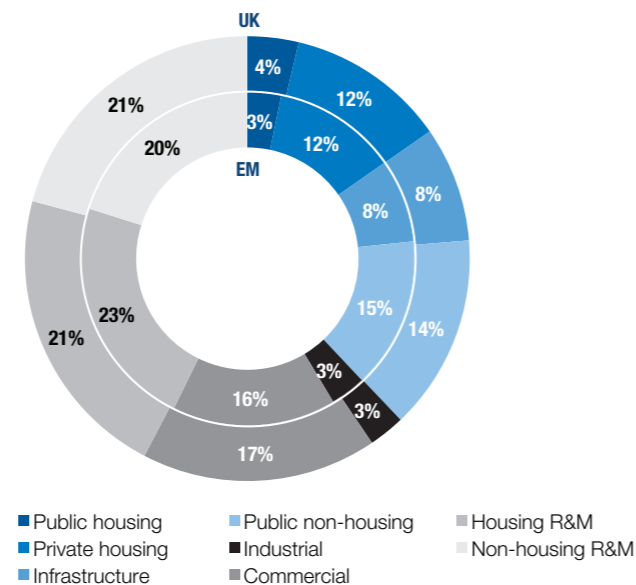
Source: ONS
ref. CSN Explained, Section 4, Note: 1

2.2 Industry structure

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

As can be seen from the comparison, the structure of the industry in the East Midlands is similar to that for the UK as a whole, at least in 2009.

Construction industry structure 2009 - UK vs. East Midlands (EM)



Source: ONS, Experian

Economic structure - East Midlands (£ billion, 2006 prices)

Selected sectors	Actual	Forecast Annual % change, real terms					
	2009	2010	2011	2012	2013	2014	2015
Public services	16.9	1.0	-0.3	-0.1	0.4	0.6	1.0
Financial and business services	12.9	2.0	2.0	2.5	2.3	2.0	2.4
Transport and communications	5.3	-0.9	0.8	1.4	1.5	2.1	2.5
Manufacturing	12.3	4.3	3.8	2.3	1.8	1.7	1.8
Distribution, hotels and catering	11.7	1.3	0.7	1.8	2.2	2.2	2.5
Total Gross Value Added (GVA)	71.5	2.0	2.1	1.9	1.7	1.5	1.8

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 (2011 – 2015) provides an indication of the construction sectors in which demand is likely to be strongest.

2.4 Economic structure

In 2009, Gross Value Added (GVA) in the East Midlands was just under £71.5bn, a fall of 5.1% in real terms on the previous year. This was a slightly larger decline when compared with the UK average (-4.8%).

The public services sector remained the largest part of the East Midlands economy and increased its share of GVA from 22% in 2008 to 24% in 2009, despite growing by just 0.6% over the period. However the construction sector lost 1% of its share year-on-year and accounted for 6% of GVA in 2009, although this is hardly surprising considering it experienced an annual fall in activity of 15%. Similarly, the 12% fall in output for manufacturing led to a 2% loss in share to 17% in 2009. Financial and business services was the third largest sector after manufacturing (accounting for 18% of GVA in 2009) and maintained its size despite a contraction of 5.5%.

GVA in the region is estimated to have grown by 2% in 2010 on the back of decent performances from the construction, manufacturing and financial and business services sectors.

2.5 Forward looking economic indicators

On an annual average basis the East Midlands economy is predicted to grow at a rate of 1.8% between 2011 and 2015, slightly weaker than the 2% projected for the UK as a whole. The rate of increase

should decelerate in each of the years to 2014 as we see a slowdown in construction and manufacturing activity, although the pick up in financial and business services, transport and communications and distribution, hotels and catering sectors should contribute to the slight quickening in the pace of growth in 2015.

There are tough times ahead for consumers with rising taxes, inflation outpacing income growth, and increasing unemployment. Over the five years to 2015, household spending in the East Midlands is forecast to increase at an annual average rate of 1.4%, slightly below last decade's annual average growth rate of 1.5%. On the same basis, household disposable incomes (1.1%) are predicted to perform below the 10-year mean of 1.8%. However on a brighter note, the expectation is that households will continue to reduce their level of debt from 2007's high, with the debt-to-income ratio eventually falling below the 1.2 mark in 2015 for the first time in 12 years.

Public sector job losses are predicted to be largely responsible for the rising unemployment rate over this year and next – especially since the government sector accounts for a relatively high proportion of output in the region. However recovery in the private sector should help the situation from 2013 onwards, giving a declining profile for unemployment to the end of the forecast period.

According to Communities and Local Government (CLG), average house prices in the East Midlands fell 9% to £151,775 in 2009. Following an estimated increase of 6% in 2010, prices are predicted to decline once again this year, albeit slightly, as labour market uncertainty impacts consumer confidence. However as the economic recovery begins to gather momentum, house prices should begin to rise once again in 2012, with the pace of increase quickening in each of the years thereafter to 2015.

Economic indicators - East Midlands (£ billion, 2006 prices - unless otherwise stated)

	Actual	Forecast Annual % change, real terms					
	2009	2010	2011	2012	2013	2014	2015
Real household disposable income	58	-1.3	-0.7	0.4	1.3	2.1	2.3
Household spending	53	0.9	-0.1	1.1	1.6	2.0	2.4
Debt:Income ratio	1.4	1.3	1.3	1.2	1.2	1.2	1.2
House prices (Index 2003 = 100)	119	126	124	126	130	134	138
LFS unemployment (millions)	0.16	0.18	0.19	0.20	0.19	0.17	0.16

Source: ONS, DCLG, Experian

2. The outlook for construction in the East Midlands

New work construction orders - East Midlands (£ million, current prices)

	Actual	Annual % change				
	2009	2005	2006	2007	2008	2009
Public housing	163	8.8	76.0	-16.7	-18.9	5.5
Private housing	369	5.3	22.0	-9.2	-58.5	-41.5
Infrastructure	645	32.4	-44.3	114.3	-16.8	56.2
Public non-housing	965	-13.9	-22.4	3.7	23.6	12.9
Industrial	260	34.4	-26.1	5.0	-46.1	-29.1
Commercial	765	88.8	-9.8	-37.2	-11.7	-28.6
Total new work	3,167	28.1	-7.1	-10.9	-27.1	-9.3

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

2.6 New construction orders – overview

Total construction new orders in the region declined for the fourth consecutive year in 2009. Reaching £3.2bn (in current prices), the figure was down 9% on the preceding year's total and was 45% below the 2005 high.

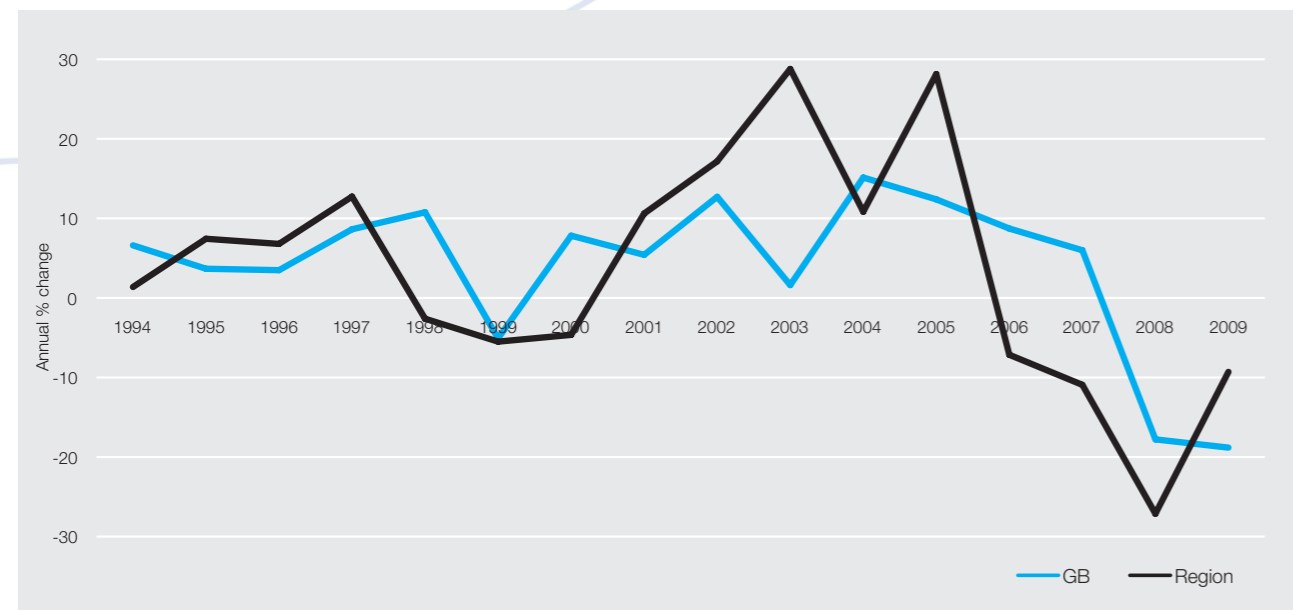
However orders for three of the six new work sectors increased year-on-year in 2009. New orders for infrastructure construction grew by 56%, while the public non-housing and public housing sectors experienced rises of 13% and 5%, respectively. In contrast, the two private non-housing sectors – industrial and commercial – saw their level of new orders decline by equal magnitude in 2009, by 29%, while those for private housing fell by 41% to £369m.

2.7 New construction orders – current situation

New orders for construction in the first nine months of 2010 totalled £2.9bn (in current prices), an increase of 18% when compared with the corresponding period of 2009. Rises of 57% and 178% in the infrastructure and private housing sectors, respectively, were largely responsible for the overall increase.

In contrast new orders for the public housing and public non-housing sectors declined by similar magnitudes year-on-year in the first three quarters of 2010, with the former contracting by 30% to £103m and the latter by 31% to £556m. Although new orders for industrial construction fell by 22% over the same period, the small size of the sector meant that the decline made little overall difference to the total new orders figure.

New construction orders growth 1994-2009 - East Midlands vs. GB



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

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

Regional Office for National Statistics (ONS) output statistics are published in current prices and are thus inclusive of any inflationary effect. At the time of writing, ONS construction output statistics are only available for the first two quarters of 2010.

Construction output in the first six months of 2010 totalled £3.3bn (in current prices) in the East Midlands. This represented a 0.7% increase half-on-half and a 2.3% rise on the corresponding part of the preceding year. The new work sector accounted for all of this growth, with output reaching £2.1bn, a year-on-year increase of 9.2%. In contrast, the R&M sector contracted by 8.5% to £1.1bn on the basis of both public and private non-housing R&M sectors experiencing sizeable declines.

The region's construction industry is predicted to grow at an annual average rate of 1.2% between 2011 and 2012, with the R&M sector (1.6%) likely to outperform new work (0.9%).

The public housing and public non-housing sectors are forecast to be the worst performing over the short-term, as severe cuts to public expenditure begin to impact. The former is projected to decline at an average rate of 20.8% per annum, although the sector's small size is likely to have a little overall impact on the region's industry as a whole. In the case of the latter, the predicted mean yearly rate of contraction of 14.4% is predicated on the assumption that a much smaller output stream will be generated in the education sub-sector as Building Schools for the Future (BSF) projects complete and little else replaces them.

With an annual average growth rate of 11.6% between 2011 and 2012, the private housing construction sector is forecast to be the best performing. Recovery in the housing market and easier access to finance for both developers and consumers should be responsible for the improving prospects, although its effects will be patchy. Infrastructure output is expected to grow at a mean yearly rate of 11.2% as projects such as Phase 2 of the Nottingham Express Transit – given the go-ahead in the October 2010 Spending Review – provide a boost to the sector.

Following four consecutive years of decline, the industrial sector in the East Midlands is estimated to have returned to growth in 2010. As with most of the UK regions and nations, the export recovery should provide manufacturers with some impetus to invest in new facilities, although waning consumer confidence and spending as a result of public sector cuts should mean a sharp deceleration in the growth rate in 2011. Over 2011-2012, industrial construction output is forecast to grow at an annual average rate of 4.6%.

Similarly, the commercial sector is predicted to see weak growth this year. However as the economy gathers further momentum and households begin to feel more confident about their spending habits, we should see developers responding to a greater requirement for new space. With an annual average growth rate of 5% over 2011-2012, commercial output in the East Midlands is predicted to underperform when compared with the UK as a whole (5.9%).



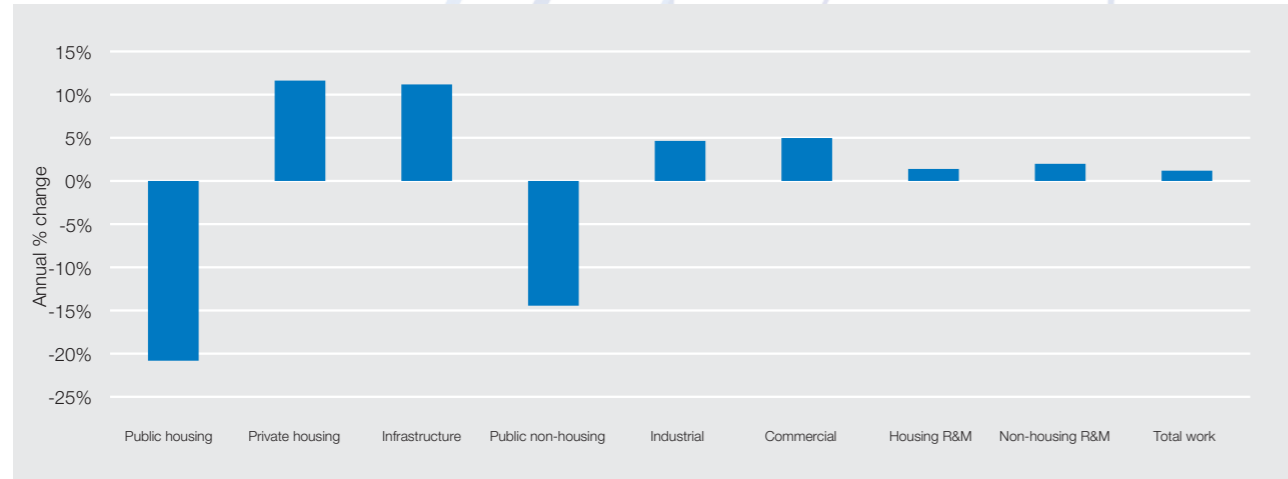
Construction output - East Midlands (£ million, 2005 prices)

	Actual 2009	Forecast annual % change			Annual average 2011-2012
		2010	2011	2012	
Public housing	192	29%	-23%	-19%	-20.8%
Private housing	701	5%	12%	12%	11.6%
Infrastructure	471	24%	17%	6%	11.2%
Public non-housing	855	22%	-6%	-22%	-14.4%
Industrial	200	28%	3%	6%	4.6%
Commercial	927	5%	2%	8%	5.0%
New work	3,345	15%	2%	0%	0.9%
Housing R&M	1,321	2%	0%	3%	1.4%
Non-housing R&M	1,176	-16%	0%	4%	2.0%
Total R&M	2,497	-7%	0%	3%	1.6%
Total work	5,842	5%	1%	1%	1.2%

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

2. The outlook for construction in the East Midlands

Annual average construction output growth 2011-2012 - East Midlands



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

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

Between 2011 and 2015, total construction output in the East Midlands is forecast to increase at an annual average rate of 0.9%. On the same basis, the new work sector is predicted to grow by 0.3%, weaker than the R&M sector's rate of increase of 1.8%.

The private housing sector is predicted to be the most buoyant between 2011 and 2015. With an annual average growth rate of 8.1%, the sector is expected to perform especially well this year and next, although output will be rising from a very low base. Easier access to mortgage finance, improving demographics and a more balanced house price-to-income ratio should all contribute to the upward trend.

In contrast public housing is projected to be the worst performing sector in the region, with an annual average rate of decline of 10.5% in the five years to 2015. The end of the Kickstart programme coupled with a lower level of funding being available to the Homes and Communities Agency (HCA) going forward, as announced in the October 2010 Comprehensive Spending Review (CSR), is predicted to be responsible for contractions in each of the forecast years.

The public non-housing sector should fare similarly badly over the four years to 2015, with an average yearly rate of fall in output of 10.2%. The Building Schools for the Future (BSF) programme was cancelled by the coalition government last year and led to around 48 post-Wave 4 schools projects being cut in the East Midlands. Although output generated by BSF work already onsite should prevent a major decline this year, the lack of new projects commencing and replacing those already completed is likely to mean double-digit declines in 2012 and 2013.

With an annual average rate of increase of 1.3%, the infrastructure sector is forecast to see sluggish growth between 2011 and 2015. On a year-on-year basis, a rise in output is predicted for 2011 and 2012 as Phase 2 of the Nottingham Express Transit project commences, although this effect is likely to be somewhat offset by contractions in each of the final three years of the forecast period, particularly as the A46 Newark to Widmerpool scheme completes in summer 2012.

On an annual average basis, the industrial and commercial sectors are projected to grow by 3.4% and 3.2%, respectively, between 2011 and 2015. The former is predicted to see reasonable growth next year on the back of a sustained recovery in the manufacturing sector, although it must once again be kept in mind that output will be rising from a low base. The largest industrial construction project currently in the pipeline is the £102.4m distribution depot in Retford, which is project to start in January 2011 and should take two years to build. In the commercial sector, following a healthy rise in 2012, output should grow more moderately between 2013 and 2015. The £900m mixed use development called 'The Island' is one of the largest schemes in the region and comprises office, residential, shops and restaurant/bars space. Work should have started onsite at the end of 2010 and it is estimated to be completed by December 2014.

Both the housing and non-housing R&M sectors are forecast to grow by 1.8% between 2011 and 2015. Consumers remaining wary about spending on big-ticket items in an uncertain economic climate, government expenditure cuts and weak growth in disposable incomes means a constrained outlook for the two sectors.

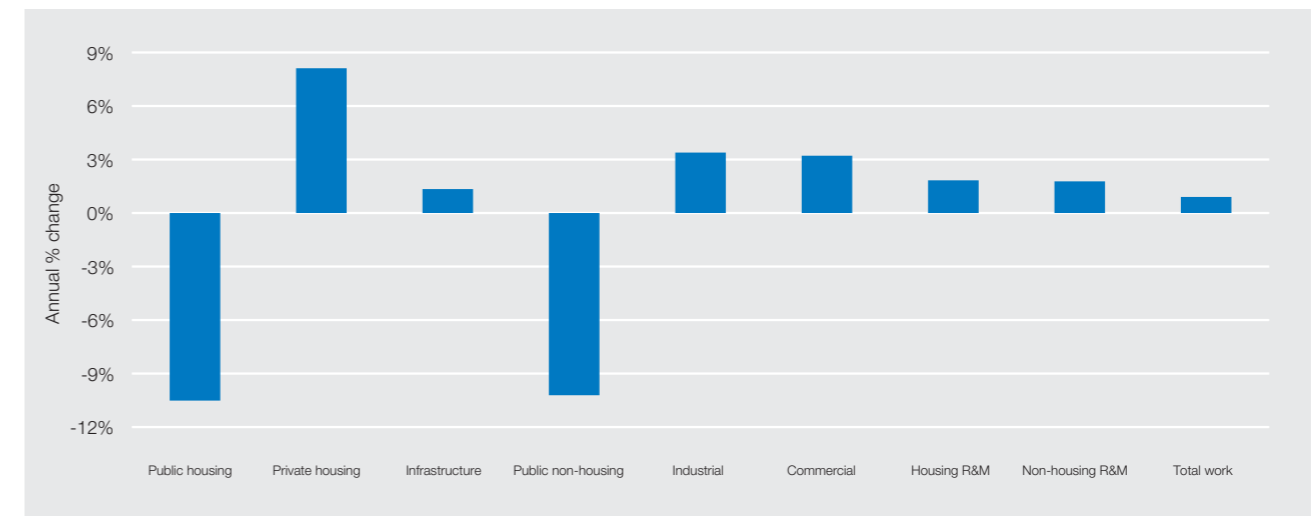


Construction output - East Midlands (£ million, 2005 prices)

	Estimate 2010	Forecast annual % change					Annual average 2011-2015
		2011	2012	2013	2014	2015	
Public housing	248	-23%	-19%	0%	-7%	-1%	-10.5%
Private housing	734	12%	12%	7%	6%	5%	8.1%
Infrastructure	583	17%	6%	-5%	-5%	-4%	1.3%
Public non-housing	1,041	-6%	-22%	-13%	-9%	0%	-10.2%
Industrial	255	3%	6%	3%	2%	2%	3.4%
Commercial	976	2%	8%	2%	3%	2%	3.2%
New work	3,837	2%	0%	-1%	0%	1%	0.3%
Housing R&M	1,342	0%	3%	2%	3%	2%	1.8%
Non-housing R&M	985	0%	4%	1%	2%	2%	1.8%
R&M	2,326	0%	3%	2%	2%	2%	1.8%
Total work	6,164	1%	1%	0%	1%	2%	0.9%

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

Annual average construction output growth 2011-2015 - East Midlands



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

2.10 Beyond 2015

Energy, green technologies and regeneration are likely to be the main drivers of construction activity in the East Midlands beyond 2015.

The provision of a 1.2GW Triton Knoll Offshore Windfarm, located in the Great Wash, off the Lincolnshire Coast is likely to be an important project. Worth £2bn, work is estimated to start onsite just before 2015 and should end in late 2016. There is also a £200m gas fired power station planned in Newark, Nottingham. Construction works are planned to begin in March 2016 and finish two years later.

The retrofitting of existing homes with energy efficiency and micro generation measures will be important in reducing carbon emissions, especially since the housing stock is responsible for a significant proportion of energy usage. The March 2010 *Revised Draft East Midlands Regional Plan* outlined that one of the core regional objectives is to secure the delivery of sustainable development within the East Midlands, of which there is a significant current shortage. This includes the regeneration of disadvantaged areas, with new developments of 10 dwellings or more required to acquire at least 10% of their energy from decentralised and renewable/low-carbon sources.

3. Construction employment forecasts for the East Midlands

3.1 Total construction employment forecasts by occupation

The table presents actual construction employment (SIC 45 and 74.2) in East Midlands for 2009, the forecast total employment in 26 occupations 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.

Construction employment, including SIC 45 and 74.2, in the East Midlands is forecast to reach 162,440 in 2015, a 7% increase on its expected 2011 level and 2% above the 2009 outturn. The level of employment is forecast to continue decreasing for the third consecutive year in 2011, before improving prospects in the repair and maintenance market – which is more labour intensive and thus generates more employment per unit of investment – gives a rising profile.

At 18,940, wood trades and interior fit-out accounted for 11.9% of total construction employment in 2009, making it the largest occupation in the region. Although it is predicted to increase by 7.9% between 2011 and 2015, its share of total employment should broadly remain unchanged from 2009.

The labourers nec* and civil engineers occupations are forecast to see the largest rises in employment between 2011 and 2015, of 15.3% and 14.3%, respectively. However in absolute terms, the occupations likely to the biggest increases are wood trades and interior fit-out (1,430) and construction managers (1,120).

In contrast, the electrical trades and installation and surveyors occupations are predicted to see the smallest rises in employment between 2011 and 2015, of 2.8% and 3%, respectively.

Total employment by occupation - East Midlands

	Actual 2009	Forecast	
		2011	2015
Senior, executive, and business process managers	7,150	6,580	7,250
Construction managers	16,670	15,640	16,760
Non-construction professional, technical, IT, and other office-based staff	14,500	14,460	15,360
Wood trades and interior fit-out	18,940	18,140	19,570
Bricklayers	5,590	5,670	5,940
Building envelope specialists	4,050	3,810	4,100
Painters and decorators	6,090	6,060	6,450
Plasterers and dry liners	4,620	4,250	4,680
Roofers	2,720	2,550	2,770
Floorers	2,770	2,730	2,820
Glaziers	2,830	2,590	2,800
Specialist building operatives nec*	4,080	3,670	3,990
Scaffolders	1,440	1,210	1,340
Plant operatives	2,960	2,860	3,060
Plant mechanics/fitters	2,810	3,050	3,250
Steel erectors/structural	1,560	1,510	1,630
Labourers nec*	7,430	6,080	7,010
Electrical trades and installation	15,150	15,900	16,340
Plumbing and HVAC Trades	10,410	9,480	10,240
Logistics	1,260	1,160	1,270
Civil engineering operatives nec*	5,270	4,040	4,490
Non-construction operatives	3,240	2,890	3,240
Civil engineers	2,330	1,890	2,160
Other construction professionals and technical staff	8,120	7,950	8,460
Architects	1,670	1,430	1,580
Surveyors	5,270	5,710	5,880
Total (SIC 45)	141,540	134,330	144,360
Total (SIC 45 and 74.2)	158,930	151,310	162,440

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

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.

Between 2011 and 2015, the ARR for the East Midlands is predicted to be 3,860 – representative of almost 2.6% of 2011 base employment level and above the UK average of 1.8%. The size of the occupational ARRs tend to be a function of the size of that particular occupational category, thus wood trades and interior fit out has the highest absolute ARR of 890. However as a percentage of base 2011 employment, labourers nec* (11%) and civil engineers (9%) are projected to have the largest requirement.

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.

Finally, for certain occupations there will be no appreciable requirement over the forecast period, partly due to the recession creating a 'pool' of excess labour.

Annual recruitment requirement by occupation - East Midlands

	2011-2015
Senior, executive, and business process managers	-
Construction managers	80
Non-construction professional, technical, IT, and other office-based staff	820
Wood trades and interior fit-out	890
Bricklayers	170
Building envelope specialists	240
Painters and decorators	140
Plasterers and dry liners	-
Roofers	-
Floorers	<50
Glaziers	140
Specialist building operatives nec*	170
Scaffolders	-
Plant operatives	<50
Plant mechanics/fitters	<50
Steel erectors/structural	<50
Labourers nec*	670
Electrical trades and installation	50
Plumbing and HVAC Trades	80
Logistics	-
Civil engineering operatives nec*	-
Non-construction operatives	-
Civil engineers	170
Other construction professionals and technical staff	<50
Architects	-
Surveyors	80
Total (SIC 45)	3,570
Total (SIC 45 and 74.2)	3,860

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

4. Comparisons across the UK

At 0.9%, the forecast annual average growth rate for the East Midlands between 2011 and 2015 is marginally weaker than the UK as a whole (1%).

With an annual average growth rate of 8.1%, the private housing sector in the region is predicted to outperform the UK as a whole (6%) and rank second overall after Yorkshire and Humber (9.7%). Income growth has been good over the last decade, benefiting from structural transition and, along with a more modest house price boom during 2004-07, this has led the house price-to-earnings ratio to become the most balanced in the UK. An easing in lending conditions for both consumers and developers, as well as the supply-demand mismatch, should also lend support to the double-digit private housing output growth in the short term.

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 different regions will be affected will largely depend on their level of exposure to the 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 East Midlands has had relatively fewer schemes go through in Waves 1-4 of the BSF programme than the England average, thus the annual average rate of fall for the public non-housing sector (10.2%) is predicted to be less than the UK average (12.4%).

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 2014, compared with £8.4bn in the Affordable Housing Programme for 2008-2011. Our forecasts suggest that the UK as a whole will decline at an annual average rate of 5.6% over 2011-2015,

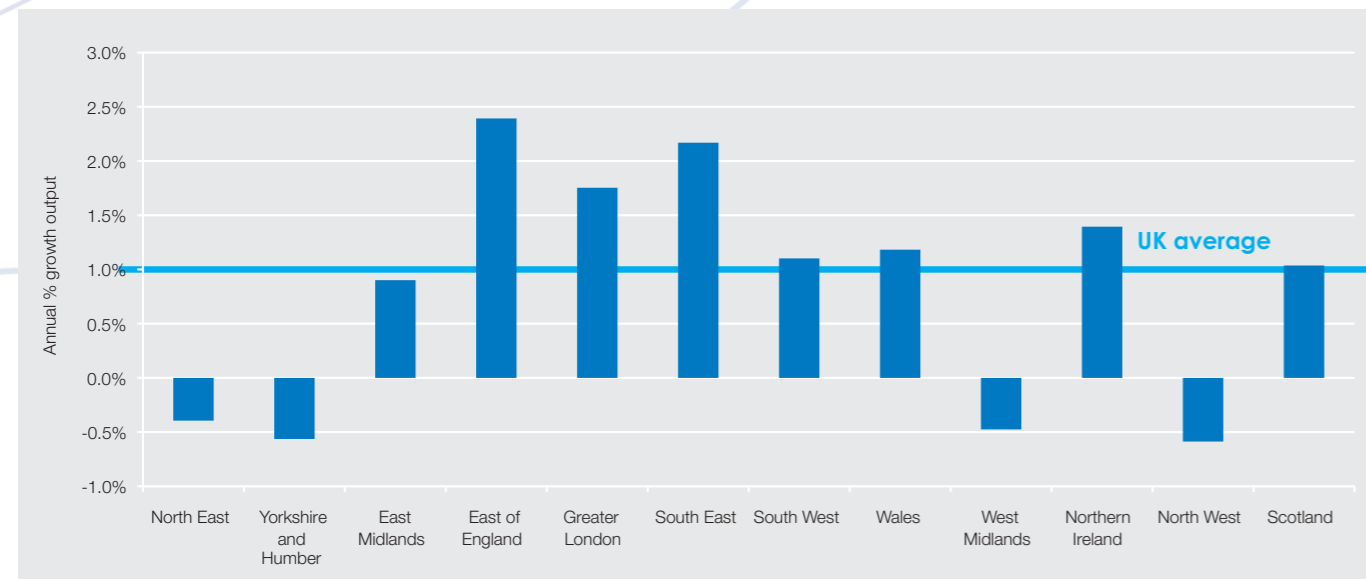
although the North East and the East Midlands are expected to significantly underperform with double-digit contractions. The former has a relatively small public housing sector and has done well out of allocations in the recent past, although this means that it has a larger distance to fall upon fiscal retrenchment. In the case of the latter, output is predicted to contract over each of the forecast years – making the region the weakest in the UK.

In the UK, both the infrastructure and industrial sectors are predicted to grow at an annual average rate of 4.4% over the four years to 2015. Greater London has a number of large transport projects, the biggest of which are Crossrail (worth £16bn) 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.

With an annual average growth rate of 3.2% between 2011 and 2015, the commercial sector in the East Midlands is expected to underperform when compared with the UK as a whole (4.6%). Other than the aforementioned 'The Island' project, there is little else in the pipeline to sustain the sector over the review period.

Employment growth in the region between 2011 and 2015 is predicted to be 7.4%, slightly weaker than the UK average (7.8%). Labourers nec* (15.3%) and civil engineers (14.3%) are predicted to see the largest increases in employment, although in absolute terms the wood trades and interior fit-out (1,430) occupation should do best. As a proportion of base 2011 employment, the annual recruitment requirement is forecast to be equivalent to 2.6% – higher than the UK average figure of 1.8%.

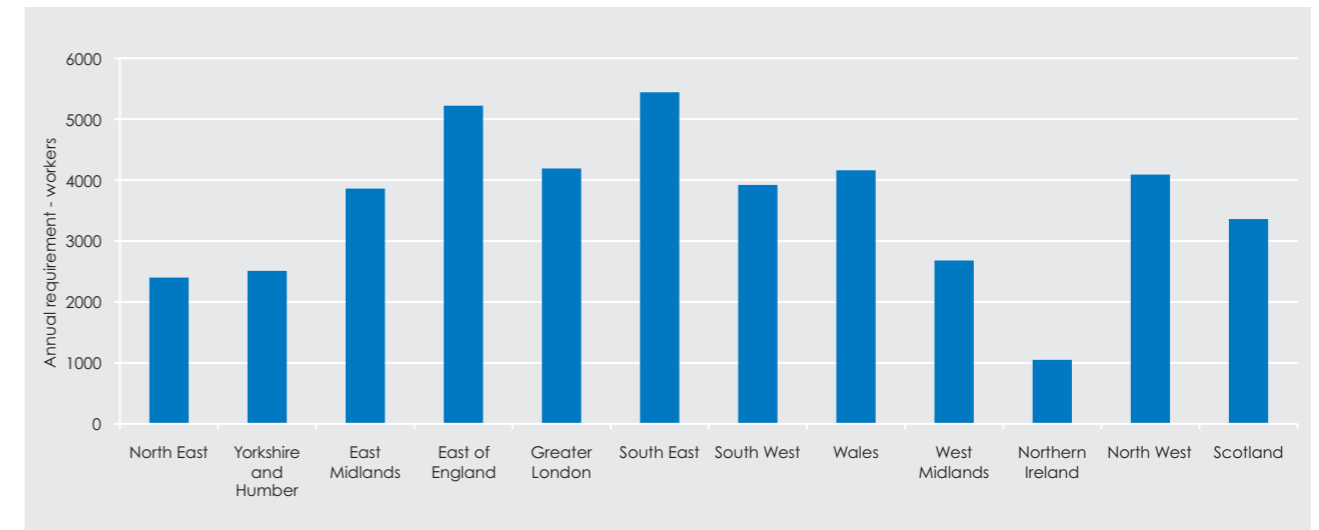
Annual average output growth by region 2011-2015



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

At **0.9%**, the forecast annual average growth rate for the East Midlands between **2011 and 2015** is marginally weaker than the UK as a whole (1%)

Annual recruitment requirement (ARR) by region 2011-2015



Source: CSN, Experian



Leicester City Football Ground

At **3,860**, the ARR over the forecast period is **2.6%** of base **2011** employment.

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