

Date: 13 May 2013

R3 comments on the fall in Construction output



The fall in construction output in Q1 2013 is a continuation of the downward trend we have been seeing; it was 2.4% lower than Q4 2012 and 6.5% lower than Q1 2013. Additional research by R3 shows close to a third (30%) of construction firms across the UK are at risk of failure in the next 12 months; with a figure of 29% in Yorkshire and the Humber. This figure compares to 24% of businesses at risk overall both nationally and in Yorkshire and the Humber. R3 figures show that over 66,953 construction and civil engineering companies registered in the UK are at risk of failure and 4,612 of these are in this region.

Rob Adamson, Chair of R3 in Yorkshire and Northern restructuring partner for Mazars, comments: "With the construction sector remaining in a delicate state – flagged by last week's Markit/CIPS UK Construction PMI data which recorded a fall in activity for the sixth successive month – times are likely to become even tougher. Issues such as late payment will be critical.

"In a flat market or recession where construction isn't thriving – where there is effectively an oversupply of sub-contractors, pricing is very slim. Therefore this 'oxygen' of payments must be kept flowing through the system. Any delay could push a sub-contractor into a downward spiral. They can't pay their own employees who might walk off site, which then necessitates getting agency workers, costing even more or even withdrawing from site entirely. At present there is currently a squeeze on margins, not just cash flow in the construction sector.

"Late payment is an issue for all sectors and is something that any business recovery expert would watch out for. I am not surprised that data from the BCC shows 94 per cent of respondents experience late payments, and this is an issue that has not gone away, despite the noise surrounding it. Any business facing problems of this type should seek advice from an expert as early as possible."

