Scotland - Workload Trends 2020 Q3

Workloads and orders rebounded in Q3

Weighted Balances (%)

Change on 12 Months Ago

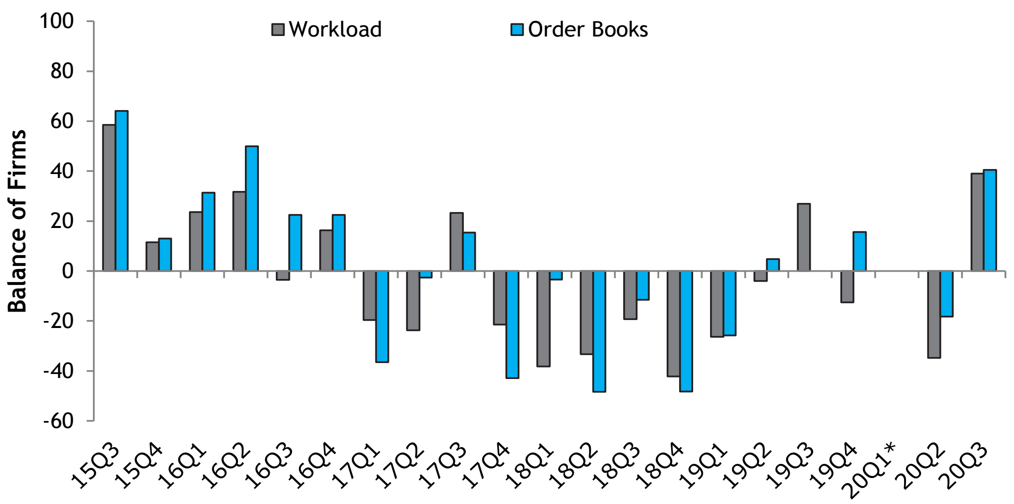
Workload	
2019 Q3	+27
2020 Q3	+39
Tender Prices	
New Work	
2019 Q3	+13
2020 Q3	+20
R&M Work	
2019 Q3	+25
2020 Q3	+22
Order Books	
2019 Q3	0
2020 Q3	+40

Over the Next 12 Months

Expected Workload	
2019 Q3	-6
2020 Q3	-17
Expected Orders	
New Work	
2019 Q3	-25
2020 Q3	-36
R&M Work	
2019 Q3	+3
2020 Q3	+11

- Workloads rose in Q3, according to 39% of Scottish firms, on balance, following a decline (-35%) in Q2.
- Scotland's order books balance rose to a near five-year high of 40% in Q3, from -18% in Q2.
- In Q3, 17% of Scottish firms, on balance, expected workloads to fall over the next 12 months.
- 22% of Scottish firms reported higher tender prices for R&M work, the lowest balance in two years.
- 19% of respondents cited supply issues with materials/ products, the highest proportion in almost five years.

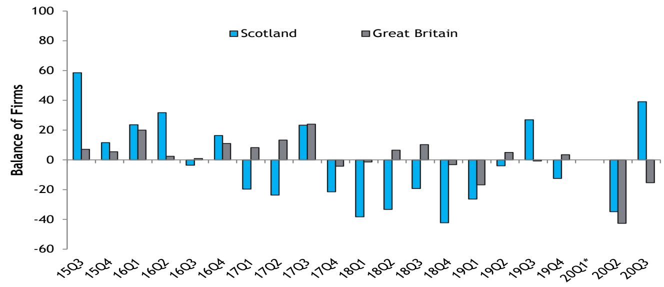
Change in Workload and Order Books — Scotland



*The survey was not run in 2020 Q1 due to COVID-19

Recent Trends

Workload Compared to 12 Months Ago



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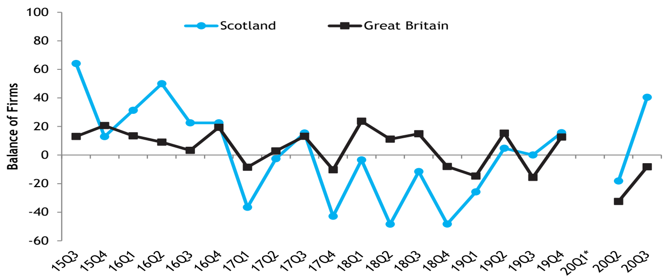
As lockdown restrictions were gradually eased, workloads improved in Scotland during the third quarter of 2020. On balance, 39% of respondents reported an increase in workloads on a year ago, up from 35% reporting a fall in Q2. Overall, 61% of the respondents reported that workloads had increased, and 22% reported that workloads had fallen. In Great Britain, 15% of firms, on balance, reported that workloads fell compared to a year ago. This marked the second consecutive quarter of annual decline after a near 11-year low balance of -43% was recorded in Q2. In total, half of firms reported that workloads had decreased. In England, 32% of firms, on balance, reported that workloads had decreased compared to 12 months ago. In Wales, 57% of firms, on balance, reported a decrease in workloads in Q3, up from a survey-record low balance of -92% in Q2, but the second consecutive quarter of annual decline.

Order Books Compared to 12 Months Ago



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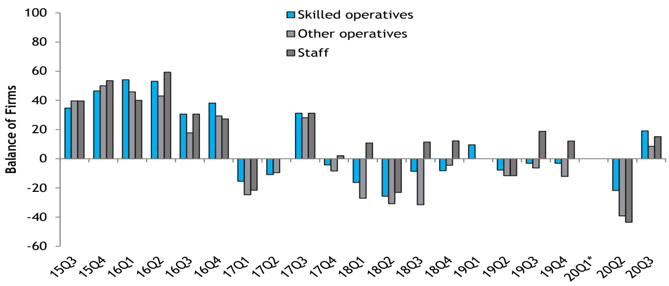
After recording a negative balance in Q2, 40% of Scottish firms, on balance, reported that order books had increased in Q3 compared to a year earlier. This was the highest balance since 2016 Q2. Overall, 62% of respondents reported that orders had increased, and 21% reported a fall. In Great Britain, 8% of firms, on balance, reported that order books had decreased compared to a year earlier, compared to a balance of -32% in Q2, which was the lowest in nine years. In total, 44% of firms reported that orders had decreased. Orders in England fell, on balance, according to 16% of firms, the second consecutive quarter of annual decline. Overall, 46% of firms reported that orders had decreased. Similarly in Wales, orders fell on an annual basis for the second successive quarter in Q3, according to 85% of firms, the lowest balance since 2010 Q2.

Employment Compared to 12 Months Ago



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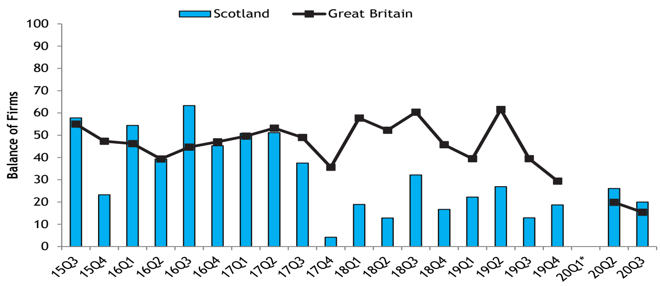
Labour market conditions improved in Scotland for all types of worker in Q3. On balance, employment of skilled operatives, staff and other operatives increased according to 19%, 15% and 9% of firms, respectively. This is an improvement from the negative annual balances recorded in Q2. In Britain, the annual balances for all types of worker remained negative for the second quarter in a row in Q3; -18% for staff, -14% for other operatives and -5% for skilled operatives. In England, employment of other operatives, staff and skilled operatives fell according to 33%, 31% and 20% of firms respectively, the lowest balances in a decade. However, in Wales, employment of skilled operatives, other operatives and staff increased, according to a balance of 5% of firms.

Tender Prices

Tender Prices of New Work



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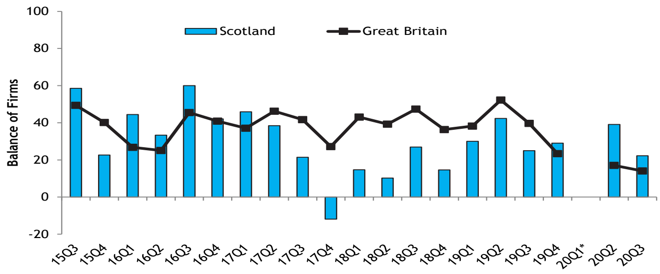
In Scotland, 20% of firms, on balance, reported that tender prices for new work increased in Q3 with 29% of all respondents reporting higher tender prices and 62% reporting no change. In Great Britain, 15% of firms, on balance, reported an increase in tender prices for new work, the lowest balance in nearly eight years. In England, prices increased, on balance, according to 11% of respondents, the lowest since 2013 Q1. In total, 69% of the respondents reported no change in tender prices. In Wales, 28% of firms, on balance, reported an annual increase in tender prices for new work, down from 33% in Q2. Overall, 44% of the respondents reported higher tender prices compared to a year earlier, but 39% reported no change.

Tender Prices of R&M Work



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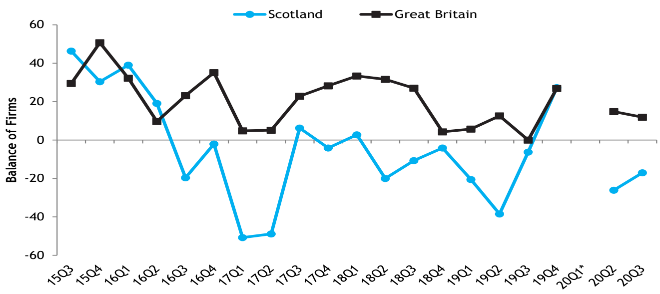
In Scotland, 22% of respondents, on balance, reported that tender prices for R&M work were higher compared to a year earlier, the lowest balance in two years. One-third of all respondents reported that prices had increased, whilst 56% of firms reported no change. In Britain, on balance, 14% of respondents, reported that tender prices increased compared to 12 months ago, the lowest balance in nearly eight years. 66% of all respondents reported that prices were unchanged. In England, 12% of the respondents, on balance, reported that tender prices were higher in Q3, the lowest since 2013 Q3. 68% of the respondents reported that tender prices were unchanged, whilst 22% reported that they had risen. In Wales, 20% of the respondents reported increased tender prices, whilst 15% reported that they had fallen, leaving a balance of 5%.

Expected Future Trends

Expected Workloads in the Next 12 Months



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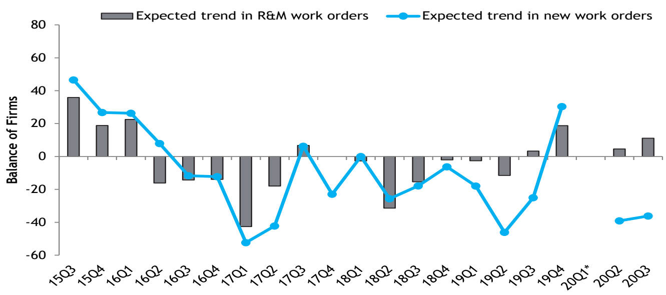
In Scotland, workload expectations for the next 12 months remained negative for the second consecutive quarter in Q3. On balance, 17% of firms expected workloads to decline over the coming year, compared to a balance of -26% reported in Q2. Overall, 57% of the respondents expected workloads to remain unchanged, and 30% expected workloads to decrease. In Britain, a balance of 12% of respondents reported that they expected workloads to increase over the next year. 38% of the respondents expected workloads to remain unchanged, and 37% expected workloads to increase. In England, 28% of firms, on balance, expected workloads to increase in the coming 12 months. In Wales, only 5% of firms, on balance, expected workloads to increase in the next year, down from 67% in Q2.

Expected New Orders in the Next 12 Months



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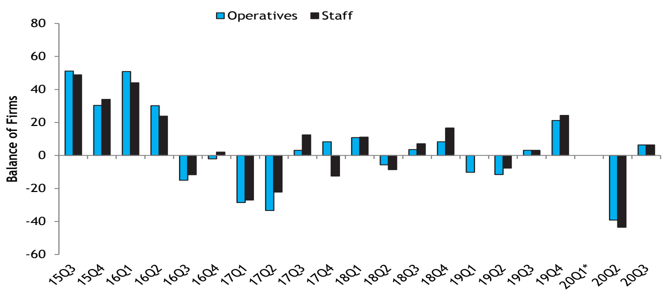
New orders expectations for the year ahead also remained in negative territory in Q3. 36% of Scottish firms, on balance, expected orders for new work to fall over the next 12 months but for R&M orders, a balance of 11% expected an increase over the next 12 months. In Britain, only 2% of firms, on balance, expected order books to improve over the coming year. For R&M, a balance of 7% expected orders to increase during the next 12 months. In England, 30% of firms, on balance, anticipated growth in new work orders over the coming year and 21%, on balance, expected R&M orders to increase. In Wales, the orders outlook deteriorated from Q2, with 29% of firms, on balance, anticipating a decrease in new work orders over the next 12 months and a balance of 47% expecting R&M orders to be lower.

Expected Employment in the Next 12 Months



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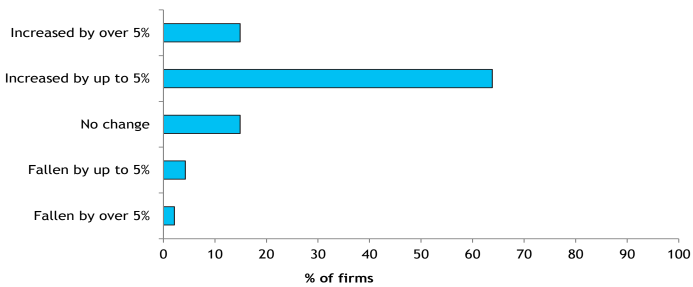
In Q3, civil engineering firms in Scotland turned positive about hiring in the next 12 months. On balance, 6% of firms expected employment of operatives to increase and 6% also anticipated staff employment to increase over the coming year. This is an improvement from decade-low balances in Q2. In Britain, on balance, 18% of firms expected employment of operatives to increase and 10% expected staff employment to rise. In England, 28% of firms, on balance, expected employment of operatives to increase, and for staff, a balance of 14% was recorded. In Wales, 26% and 16% of firms, on balance, anticipated a rise in operatives and staff employment, respectively.

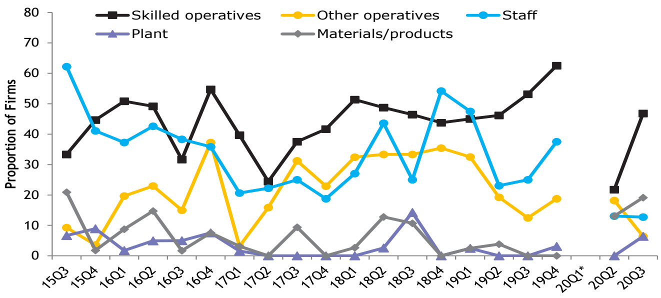
Costs and Supply Constraints

Change in Costs Compared to 12 Months Ago



In Scotland, 72% of respondents, on balance, reported that costs increased over the last 12 months, down from 87% in Q2. 64% of Scottish firms reported that costs had increased by up to 5% and 15% by more than 5%, whilst 6% reported decreased costs. In Britain, on balance, 65% of firms, reported that costs had risen over the last 12 months, down from 68% in Q2 and the lowest balance in nearly four years. 63% of respondents reported increased costs by up to 5%, 8% by more than 5%, whilst 6% reported that costs had fallen. In England, 54% of firms, on balance, reported increased costs, the lowest balance in nearly nine years. 58% of firms reported increased costs by up to 5%, 3% by more than 5%, whilst 32% of firms reported no change in costs. In Wales, three-quarters of firms, on balance, reported an increase in costs over the last 12 months, the lowest balance since 2017 Q1.

Contractors Unsatisfied with Supply



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In Scotland, the most cited supply issue in Q3 was skilled operatives (47%), followed by materials/products (19%) and staff (13%). The proportion for materials/products was the highest since 2015 Q3. 6% of firms also reported issues with both other operatives and plant in Q3. In Great Britain, the most cited supply issue was skilled operatives, with 32% of respondents identifying this as an issue, followed by staff (19%) and materials/products (15%). The proportion for materials/products was the highest since 2014 Q2. Other operatives and plant were also cited as a concern according to 10% and 4% of respondents, respectively. In England, 28% of respondents identified supply of skilled operatives as an issue, followed by staff (22%), other operatives (12%), materials/products (6%) and plant (3%). In Wales, the most cited supply issue was skilled operatives (35%) in Q3. 5% also noted other operatives, staff, materials/products and plant as an issue.

Workload Trends Survey

	Q3	Q4	2017Q1	Q2	Q3	Q4	2018Q1	Q2	Q3	Q4	2019Q1	Q2	Q3	Q4	2020Q1**	Q2	Q3
Workload (% balance)	-4	+16	-20	-24	+23	-21	-38	-33	-19	-42	-26	-4	+27	-13		-35	+39
Expected Workload (% balance)	-20	-2	-51	-49	+6	-4	+3	-20	-11	-4	-21	-38	-6	+27		-26	-17
Order Books (% balance)	+23	+23	-37	-3	+15	-43	-3	-48	-12	-48	-26	+5	0	+16		-18	+40
Expected New Orders (% balance)																	
New Work	-12	-12	-52	-42	+6	-23	0	-26	-18	-6	-18	-46	-25	+30		-39	-36
R&M	-14	-14	-43	-18	+7	0	-3	-31	-15	-2	-3	-12	+3	+19		+5	+11
Employment (% balance)																	
Skilled operatives	+31	+38	-15	-11	+31	-4	-16	-26	-9	-8	+10	-8	-3	-3		-22	+19
Other operatives	+18	+29	-25	-10	+28	-8	-27	-31	-31	-4	0	-12	-6	-12		-39	+9
Staff	+31	+27	-22	0	+31	+2	+11	-23	+11	+12	0	-12	+19	+12		-43	+15
Expected Employment (% balance)																	
Operative jobs	-15	-2	-29	-33	+3	+8	+11	-6	+4	+8	-10	-12	+3	+21		-39	+6
Employment of staff	-12	+2	-27	-22	+13	-13	+11	-9	+7	+17	0	-8	+3	+24		-43	+6
Costs*																	
Costs Compared with 12 Months Ago (%)																	
Falling	0	0	0	0	0	2	3	0	0	0	0	0	0	0		0	2
Unchanged	0	0	0	0	0	2	5	10	0	0	2	0	0	0		0	4
Slower	21	7	6	9	3	21	11	8	9	4	2	8	9	9		13	15
Same rate	48	64	70	74	88	67	70	72	86	94	90	85	84	85		65	64
Faster	31	29	23	17	9	8	11	10	6	2	5	8	6	6		22	15
Cost (%) Balance	+79	+93	+94	+91	+97	+71	+73	+72	+91	+96	+93	+92	+91	+91		+87	+72
Tender Prices (% balance)																	
New work	+63	+45	+51	+51	+38	+4	+19	+13	+32	+17	+22	+27	+13	+19		+26	+20
R&M	+60	+42	+46	+38	+21	-12	+15	+10	+27	+15	+30	+42	+25	+29		+39	+22
Supply of Resources Required (%)																	
Skilled Operatives	32	55	40	24	38	42	51	49	46	44	45	46	53	63		22	47
Other Operatives	15	37	3	16	31	23	32	33	33	35	33	19	13	19		18	6
Staff	38	36	21	22	25	19	27	44	25	54	48	23	25	38		13	13
Plant	5	8	2	0	0	0	0	3	14	0	3	0	0	3		0	6
Materials and Products	2	8	3	0	9	0	3	13	11	0	3	4	0	0		13	19

*Discontinuity in series due to an amendment to the question in order to collect more detailed information on the degree of cost change.

**Please note that the Workload Trends Survey was not run in 2020 Q1 due to the impact of the coronavirus (COVID-19) on the response rate.

About the Civil Engineering Contractors Association (CECA) and Scotland Workload Trends

The number of contractors taking part in CECA's 2020 Q3 Scotland survey totalled 25. 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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