State of Play - Survey
Business Outlook – An Emerging Picture

This State of Business survey was launched to utilise the reflective opportunity offered by the financial year end to help understand the Welsh Construction Sector business needs and provide a live and emerging snapshot analysis of Welsh markets. The aim is to help identify prospect areas for CEWales and the Welsh Government to explore in setting new agendas.

The questions have been designed as a combination of look back and project forward over 12 months and is in alignment with the Well-Being of Future Generations Act Wales - seven well-being goals, 5 ways of working, Foundational Economy Action plan and other key policy areas.

This survey was sent to the CEWales members which at the time comprised 153 members. It was then shared with the wider database of 3000+ members. CEWales recommends that the data generated provides a high-level overview as a good starting point which will need updating. For deeper insight, further commissioning will be required.

Published data has been reproduced subject to the terms of the Open Government Licence and the UK Government Licensing Framework. Please note variations may occur due to the compilation of different datasets and methodology caveats. Consequently, any person acting on it does so at their own risk. Links and references to available data have been shared within this document.

1.0 Published Data For Context

In 2023 UK GDP is estimated to have increased by 0.1% compared with 2022 following a period of recession and cost of living crisis with dual headwinds of high inflation and increased interest rates. The economy in Wales followed a similar trajectory with signs that the labour market softened and employment rates were mostly down.

In the UK, the share of the economy attributed to construction, remained broadly stable offering a 6.2% gross value add and comprised approximately 6% of all jobs. Construction output picked up from the challenging years of 2020 (pandemic) however compared to the year before, decreased by 0.7% from a fall in new work where repair and maintenance saw an increase. This trend continued in April 2024 where construction output decreased by 2.2% from a fall in both new work and repair and maintenance. This is projected to increase modestly beyond 2025. In Wales, the inclusion of infrastructure output led to an unprecedented increase in construction output with gains in new work, commercial and public non-housing sectors. The total output was estimated to be around £7.8bn.

The Welsh construction sector had the largest proportion of employment in small/medium enterprises (SMEs) in Wales and the UK in 2023. There were 8,230 employers which was 14% of all employers in the nation.

In 2024 there was an increase in demand for construction jobs (engineering etc.) with growth in the sector expected at an annual recruitment rate of 2,200 workers. In March 2024, the sector had approximately 100,000 workforce jobs with 11000 extra workers needed in Wales by 2028.

The current level of recruitment within the Welsh Construction Industry is 8,900 workers per year, The following occupations have some of the strongest recruitment requirement values: Electrical installation trades (350 per year) Bricklayers and masons (290 per year) Directors, executives and senior managers (290 per year).

Over the period from 2024-2028 the forecast shows that work is being driven by a number of key infrastructure projects including: Swansea's proposed tidal lagoon – Blue Eden, The North Wales Public Sector Renewal Framework, The Embankment Housing development in Cardiff.

Reference Documents:
2021 Census Profile for areas in England and Wales - Nomis (nomisweb.co.uk)
Chief Economists Report and Fiscal Prospects – Welsh Government 2023
labour-market-overview-january-2023.pdf (gov.wales)
Statistics Wales quarterly update: March 2023 | GOV.WALES
Industries in the UK - House of Commons Library (parliament.uk)
Construction Statistics – 2023
Size Analysis of Active Businesses in Wales, 2023 (gov.wales)
Construction output in Great Britain - Office for National Statistics – 2023
Construction output in Great Britain - Office for National Statistics – 2024
Focusing on the skills construction needs – Labour Market Intelligence Report Wales 2024 - 2028
Welsh economy in numbers: interactive dashboard | GOV.WALES

2.0 Emerging Trends & Recommendations

Last 12 months - Look Back:

Businesses appeared stable in their profitability percentages with some reporting drops due to delays in procurement and limited pipeline visibility.

Market conditions seemed to be favourable with slow growth expected against the backdrop of Welsh and UK macro-economic outlooks.

Focus on the Well-being of Future Generations Act, Wales remained unchanged however, the understanding and relation of it to ongoing work was ambiguous and demonstrated a lack of understanding and consistency on demonstrating against the well-being goals and ways of working.

Sustainability, Net Zero, Circular Economy are still considered emerging areas for the sector where support is required. Social Value as a term appeared to be better understood however, is still vague in what it encompasses. Circular Economy design and consultancy advice is limited at present, including the deliberate reuse of building materials within construction.

There was growth in new hires and apprenticeships local to Wales and across the UK for larger Tier 1's. These were mainly focused on graduate and apprentice levels.

Equality, Diversity and Inclusion was identified as mostly unchanged or with more focus. However, the understanding of what this encompassed varied across businesses. This highlighted a need for greater clarity on reporting measures to evidence diversity across business models, operations, career progression, project deliverable teams to ultimately impact barrier to entry into varying professions. This is especially relevant against the 2024 and beyond sector recruitment growth identified in the data projections.

Next 12 months – Look Forward:

Confidence levels in business operations, pipeline visibility and supply chain resilience appears high however, comments in text, calls for greater support from government on this in line with the comments made at the Ministerial Construction Forum.

New projects seem to be mostly in schools and healthcare and/or other private sector areas such as medical manufacture. Within these areas there seem to be many opportunities of new work however, the time lag between submission, allocation and being selected has been identified to have a negative impact on business stability and future projections.

Priority areas to invest are identified as Technology, Labour – Culture and Skills & Sustainability, Net zero and Circular Economy.

There is a need for deeper understanding of the term 'Fair Work' within the Economic Action Plan with most businesses referring to their company policies.

Needs for the future of the sector were around enhanced visibility of pipeline, efficient approaches to procurement, consistency around environmental and social impact regulation standards and strategic leadership for the sector with period of stability and consistency across policies.

CEWales Recommendations

The challenges and opportunities identified in this state of play survey are reflective of the insight gathered within previous intelligence reports and forums. As such, recommendations across all can be linked and understood with greater context.

CEWales recommends further evidence led research on defining the construction sector for Wales to showcase its direct and indirect influence on GDP, health and well-being. Current data does not link with the Well-Being of Future Generations Act, Wales.

3.0 Emerging Survey Respondents Data

This section of the report provides an evolving view of the data to date and will be updated.

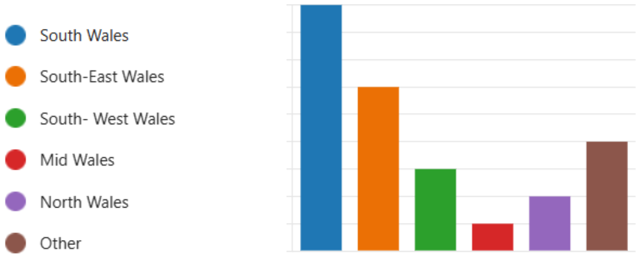
Organisational Context:

Type

Variation through to Tier 1 Consultant & Contractors, SME's and Micro SME's.

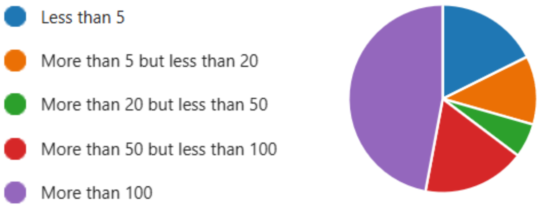
Location

Mostly based in South and South-East Wales with a minority responding from North and Mid-Wales.



Size by number employed

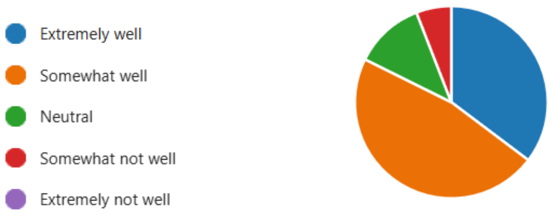
Varied with majority employers of more than 100.



Last 12 months lookback - April 1st 2023 – 31st March 2024:

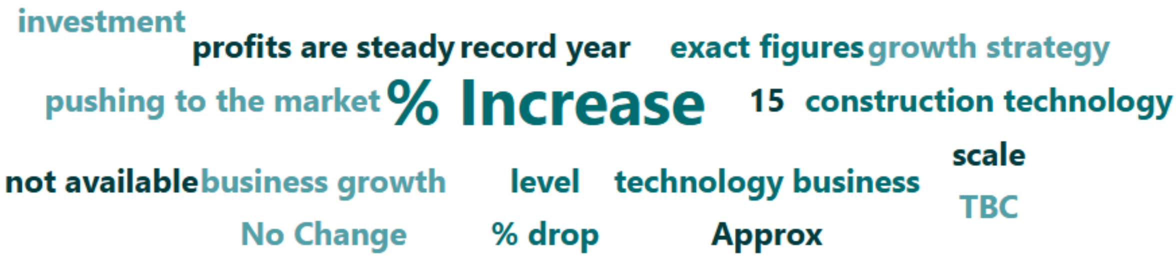
Business Performance

Majority described their business performing 'extremely well' last year.



Profitability

Mostly stable but some percentage drops for SME's.

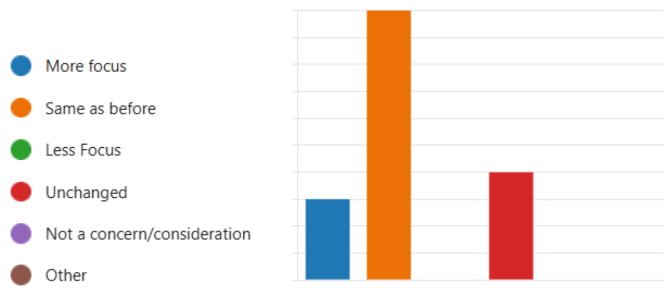


Favourability of Market Conditions

Majority said market conditions were favourable last year.

Shift in focus regarding the Well-Being of Future Generations Act

Largely unchanged with minority referring to an increased focus.



Net Zero involvement

Less than 50% (Understood as C02 assessment, alternative fuel transportation, energy consumption, sustainability measures, some referenced circular economy and climate resilience. Some referred to it from the lens of Net zero carbon management and training, whole life carbon, embodied carbon evaluations and Passivhaus design. Appraisals of impacts associated with End of Life and Benefits Beyond Future Boundaries is reported in some instances.)

Circular Economy involvement

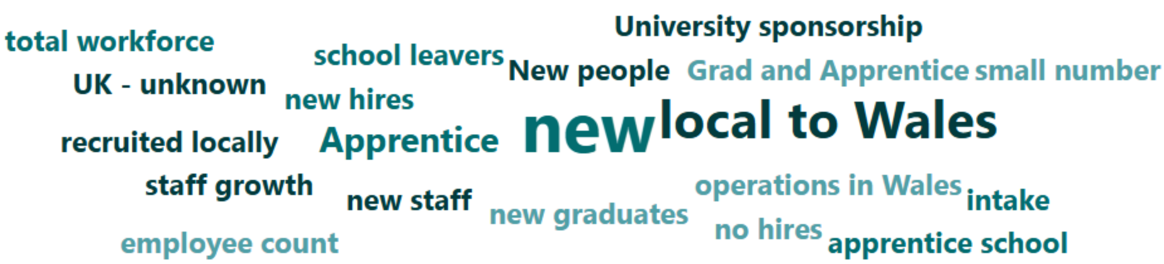
Less than 30%, some not tracking at all. (Understood as waste management and waste reduction through material choice, waste, demolition, re-use and refurbishment. Circular Economy design and consultancy advice is limited at present, including the deliberate reuse of building materials within construction)

Social Value and Well-Being Impacts

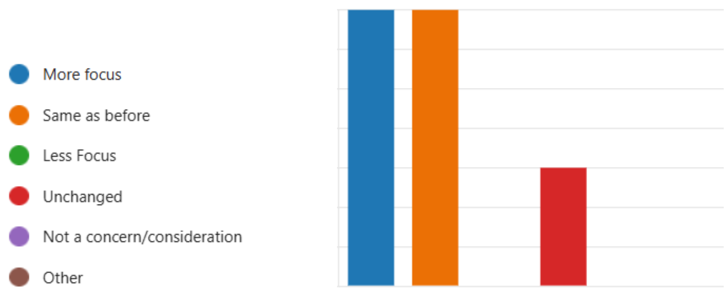
More than 50% (Understood as work experience placements, school ambassador programmes where we support the STEM curriculum, sponsor local community clubs and local mental health charities, football club support). Well-Building standards, Passivhaus Standards, NZC in Operation, and Embodied Carbon targets are being utilised in some businesses as examples of joined-up thinking.

Recruitment of new hires and apprenticeships given

Majority had new hires with some SME Micro's reporting none.

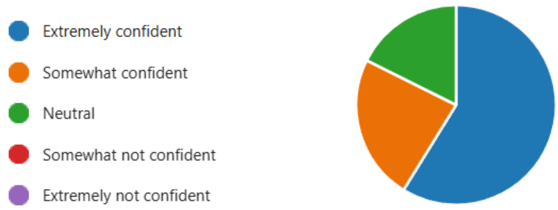


Shift in focus regarding ED&I
Majority unchanged, minor increase.

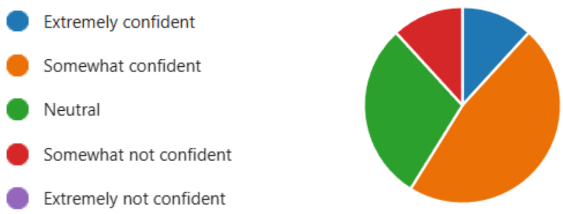


Next 12 months – Look Forward: 1st April 2024 – 31st March 2025:

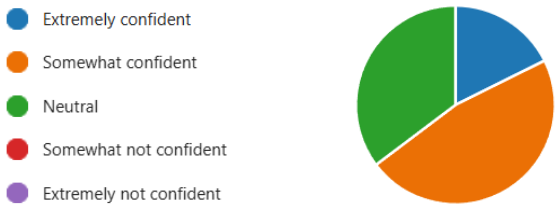
Confidence in business operations
Majority felt extremely confident.



Confidence in pipeline visibility
Majority felt somewhat confident.



Confidence in supply chain resilience
Majority felt somewhat confident.

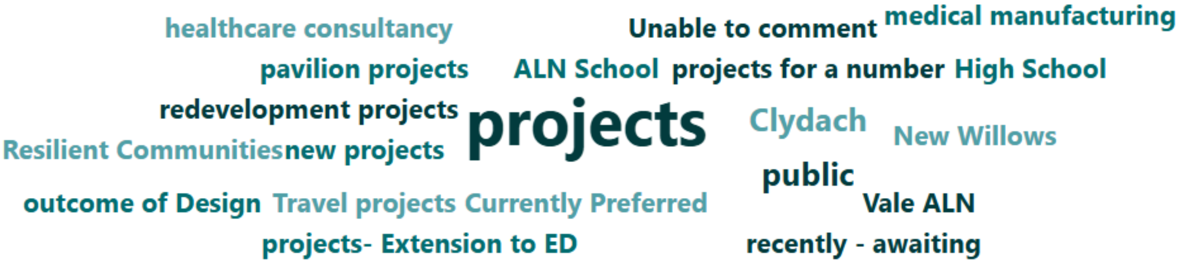


Perceived Barriers to procurement in public sector

Majority identified pipeline visibility as a major barrier, others referred to onerous terms and conditions with inconsistencies across framework ask. SME's highlighted, Tier 1's as having greater access to frameworks, time and resources impacting their ability to tender for more than a specialist role. Others pointed to uncertainty due to shifting Welsh Government policy on transport infrastructure (roads), transport funding (rail), and delegation of Active Travel funding to local authorities.

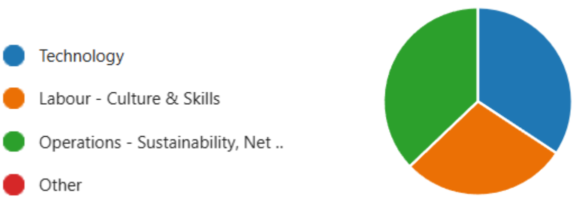
State of securing new projects

Increase in private medical, private housing and housing association homes, municipal (community/pavilion as part of Resilience Fund, Levelling Up), active travel and residential.



Investment areas

Areas for future investment split evenly between Technology, Labour & Operations (shift to sustainability)



Embedding Fair Work Opportunities

Most organisations identified their internal policies as the best way to embed fair work opportunities, others showcased a limited understanding of this area.

Essential for the Future of Construction Sector in Wales

Pipelines and approach to procurement were the main areas identified as most needed for the future of the construction sector in Wales.