



Increasing Inflation Continues To Damage Construction Industry

Hopes of a recovery in the construction industry are increasingly at risk because of an increasing inflation burden, according to the Civil Engineering Contractors Association (CECA).

As part of its Workload Trends Survey, CECA also asks its members to respond annually to a special question on their experience of costs in twenty key categories over the previous twelve months.

This year's survey revealed that inflation continued to increase strongly, in particular for fuels, which increased in price by around 10%, and metals, which increased by around 7%. These increases were largely owing to strengthening global demand for these products, most notably from emerging markets. While labour costs remained relatively flat, most other categories recorded increases in the cost of most basic materials. Notably, they recorded costs increasing at a faster rate than last year.

CECA remains deeply worried that while inflation continues to increase, tender prices are still slipping, suggesting contractors remain unable to pass on their rising costs to customers, putting further pressure on margins. If these trends continue, many contractors will be stuck in an unsustainable situation that threatens to place the jobs of many skilled and unskilled workers at risk.

CECA director of external affairs Alasdair Reisner commented: "Inflation has risen rapidly up the list of our members' concerns, and these figures show why.

"We are doing all we can to help our members handle this extra burden, including arranging seminars on commodity price hedging, and lobbying clients to include suitable inflation indexing in contracts.

"But the real worry here is that while costs continue to skyrocket, the prices our members can tender are not keeping pace, squeezing margins to an unsustainable level. Procurement practices need to take account of current concerns over inflation, in order to offer contractors a sustainable means of recovering costs due to inflation."

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For more information, further comment or interviews please contact Calum Benson on 020 7340 0452 or calumbenson@ceca.co.uk

Notes to Editors

1. The Civil Engineering Contractors Association represents over 300 contractors of all sizes, covering approximately 80% of the civil engineering market in Great Britain. Our members build infrastructure that provides the basis for economic sustainability and quality of life in communities across the country.
2. The full report on the results of the special question on inflation is available here: <http://www.ceca.co.uk/NewsDetail.aspx?NewsTypeID=2&NewsID=370>