CONSTRUCTION

Brexit 'headwind' plunges sector to three-month low

By Ben Chu

An "intense headwind" from Brexit played a part in plunging the UK's construction activity to a three-month low in December, figures show.

The Purchasing Managers' Index in December came in at 52.8, down from 53.4 in November and the weakest since September.

Subdued demand conditions were the main factor behind disappointing output growth in December, but there were also some reports that wet weather had held back work

"Subdued domestic economic conditions and an intense headwind from political uncertainty resulted in the weakest upturn in commercial work for seven months," said Tim Moore of IHS Markit, which compiles the PMI survey.

"With a slight rise in new orders and a softening in overall activity growth, firms continued to be impacted by Brexit-related uncertainty and reluctance by clients to place orders, especially for commercial projects," added Duncan Brock of the Chartered Institute of Procurement & Supply, a co-sponsor of the survey.

Construction accounts for about 6 per cent of UK GDP.

The most recent official data showed that the sector surged by 2.3 per cent in the third quarter of 2018, although this was partly catch-up growth after heavy snowfall earlier in the year hit activity.

"On past form, the average level of the PMI in Q4 is consistent with output remaining at Q3's level," said Samuel Tombs of Pantheon.

Research from the Construction Industry Training Board released late last year suggested a third of UK construction firms are already feeling the effects of Brexit.

Almost half the employers in the sector fear recruitment will become harder over the next two years. It comes as data on the manufacturing sector this week showed firms are stockpiling goods and materials ahead of Brexit set for March.

THE INDEPENDENT

Construction accounts for about 6 per cent of UK GDP GETTY

(i) Construction has been in **turmoil since the Brexit vote.** Major current projects include Crossrail and plans to revamp Birmingham city centre.

SERVICES

Costain's order book hits £4.2bn as delays go on in Crossrail

By Holly Williams

Infrastructure services firm Costain notched a record order book for 2018 as it hailed "another year of progress".

Shares in the group – one of the contractors working on the delayed Crossrail project – rose 4.5 per cent to 339p as it said it finished the year with an order book at £4.2bn, up from £3.9bn at the end of 2017, and remains on track to meet full-year forecasts.

It said this was helped by the trend for clients to consolidate supply chains to deliver increasingly large, multibillion-pound investment programmes.

The group – whose two largest customers are Network Rail and Highways England – said it had made further progress on its strategy to reposition itself to meet the "increasingly complex and fast-changing nature of its clients' requirements".

£1.3bn Extra funding needed to deliver Crossrail, on top of the project's original £15bn cost

Costain, which employs 4,000 people, finished 2018 with preferred bidder status on around £600m worth of contracts, up from £400m a year ago.

Chief executive Andrew Wyllie said: "This has been another year of progress for Costain.

"The benefits of our integrated offering, long-term strategic relationships with our clients and strong balance sheet position us well for the future."

It was announced last month that the Crossrail project could require an extra £1.3bn in funding, on top of the original £15bn cost, in order to be completed. The opening is likely to be delayed beyond its planned autumn 2019 launch.

EMPLOYMENT

Firms 'should stop criminal record enquiries'

By Alan Jones

Firms are being urged to stop asking for criminal record details on job application forms because they give employers a "false sense of security".

Jobseekers are also put off applying for work if they have to declare any convictions upfront, according to a study for Virgin Trains and Business in the Community.

The study called on companies to find more supportive ways to discuss potential recruits' criminal backgrounds. Some candidates with no criminal record may actually pose a greater risk of offending, it was claimed. Jessica Rose, of Business in the Community, said: "Asking everyone who applies for a role about criminal convictions at the start of the process tells people who are trying to move on with their lives that they won't be given a fair chance."

From the business pages

Big plans for new high-speed railway

China Daily

China plans to build 3,200km of new high-speed railways in 2019, with the total length expected to exceed 30,000km, the country's top railway operator has said. China's railways are expected to transport 3.54 billion passengers and 3.37 billion tons of goods this year, said China Railway. The country is also taking steps to introduce more digital tickets and flexible prices for the high speed trains.

Manhattan home prices below $1m

Business Insider

The typical Manhattan apartment has fallen below $1m (£791,200) for the first time in three years. The median price of units sold in the borough from October to December fell nearly 6 per cent from last year to $999,000, said property broker Douglas Elliman Real Estate. The fall is partly due to tax changes and prices are expected to remain weak.

New tax for fizzy drinks and tobacco

Gulf News

The prices of tobacco products and sugary drinks in Qatar have gone up considerably after new taxes came in at the start of the year. A 50 per cent tax has been imposed on fizzy drinks and 100 per cent rate on tobacco products. A pack of Marlboro cigarettes that used to sell for QR11 (£2.41) now costs QR22. A 500ml bottle of Coca Cola has gone up from QR2 to QR3.

Western Canada oil prices still strong

The Calgary Herald

Western Canada oil prices remain strong as Alberta production cutbacks kick in. The Alberta province announced last month that it would impose curtailments of 325,000 barrels per day as of 1 January to relieve a glut of oil in Western Canada and free up export pipeline space. The program, designed to remove about 8.7 per cent of Alberta production from the market, will be in place for three months.

Outlook

CARL MORTISHED

The debate is heating up on carbon permits

Everyone in the markets is feeling a little bruised after last year's rout. UK investors are on average 12 per cent poorer, US stocks suffered their worst year since the crash. No one escaped punishment, except for one rather special group of investors. Anyone owning a hoard of EUAs – that's EU Allowances, for the uninitiated – is sitting on quite a windfall.

These esoteric instruments – tradable permits to emit carbon dioxide – have soared by 200 per cent in a year, a gain that is causing hand-wringing, nail-biting and even panic in businesses that consume a lot of energy. It's ringing alarm bells in governments from London to Warsaw and it will cause a huge political row in Westminster, if and when Britain leaves the EU.

The EUAs are traded on the ETS, Europe's cap-and-trade carbon Emissions Trading System, created in 2005 as part of the EU's effort to encourage businesses to reduce their CO_2 emissions.

Businesses purchase a set number of allowances to emit CO_2 every year; if they reduce their emissions, they can sell the allowances on the ETS. If they emit more, they must buy extra allowances, thus setting the price for a tonne of CO_2 and establishing a market cost for carbon reduction.

It is the biggest such scheme in the world but in the early years, indulgent governments issued free permits and the EUA price fell to €5 per tonne, a level which made it profitable for power generators to burn coal rather than cleaner natural gas or renewables. After a crackdown on allowance issuance, the carbon price has soared to almost €25 per ton.

"From being a bit of a joke, the Emissions Trading System is now working well – too well for some

From being a bit of a joke, the ETS is now working well – too well for big electricity consumers, such as steel and chemical manufacturers who fret that power prices are soaring and allowances are expensive.

British steel-makers are up in arms; industry lobbyist UK Steel reckons its members pay power prices up to double those paid by French and German competitors. Last month, UK Steel published a series of demands, asking the Government to increase exemptions from the Renewable Levy, a subsidy to pay for greener energy.

At the end of March, Britain is set to leave the EU. In the absence of a deal, we will fall out of the EU's cap and trade carbon trading system. Hurrah, say libertarians, we can get rid of all these green taxes – electricity prices will plummet and UK steel will undercut France.

But wait a minute. The Government says if that happens it will introduce a UK cap-and-trade system or a new carbon tax to make up the difference. No one wants to be seen to trash the planet. But when push comes to shove, which vote-grabbing measure would you prefer – a greener Britain or cheap electricity? EVENING STANDARD