Trends in Costs 2023

Cost pressures ease but remain elevated

The results of the 2023 cost survey of members of the Civil Engineering Contractors Association (CECA) show that although cost inflation moderated from the record-high rates seen in the 2022 survey, costs remained elevated across materials, fuel, and services, as the economy experiences the passthrough effects of global and domestic energy and commodity price rises and strong demand for materials. Continued issues around the supply of labour mean that labour costs were the one area where cost pressures remained as intense as in the previous survey, however.

In 2023 Q1, on balance, 96% of survey respondents reported that costs had increased compared to 12 months ago. Overall, 15% of firms stated that costs rose by up to 5% compared to a year earlier, but 81% reported rises of more than 5%. The proportion of respondents reporting cost increases of more than 5% has been above 80% since 2022 Q1.

The 2023 survey covers a period when UK inflation has been at historically high rates, encompassing the sharp rises in global commodity prices due to the Russian invasion of Ukraine in February 2022. This has continued to a lagged passthrough to high energy prices as industrial users move on to new, higher tariffs from those previously fixed or hedged at lower prices. Not surprisingly, annual cost inflation rates in this year's survey are highest for materials that have energy-intensive production processes: precast concrete products at 8.8% and ready mixed concrete at 8.6%, for example.

Inflation rates for other products, materials and services have moderated from the rates of above 10% seen in last year's survey, but similarly, the lingering effects of higher input prices mean that even the slowest price increases were still recorded at 4.2% for DERV fuel and 4.4% for gas oil fuel. Nevertheless, this portends a further moderation in price pressures for the current year, unforeseen geopolitical developments aside

The quarterly Workload Trends survey has highlighted dissatisfaction with the supply of labour for some time now and presents the backdrop for labour costs in this survey remaining at the elevated rates seen in 2022 for engineering staff and skilled operatives and inflation accelerating for other operatives and administrative staff.

Civil Engineering Contractors Association (CECA) and Trends in Costs Survey

The Trends in Civil Engineering Contractors' Costs report is published annually and collects data on the cost pressures experienced by CECA members. In 2023, the number of contractors taking part in the survey totalled 56. Full reports of the Trends in Costs Survey are available to non-members; £30 per single copy.

CECA has over 300 member firms which carry out more than 80% of all civil engineering work in Great Britain.

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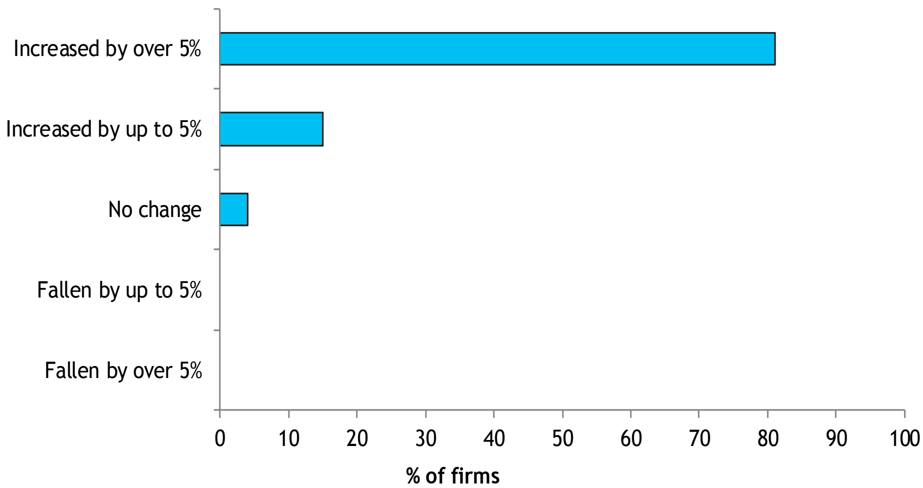
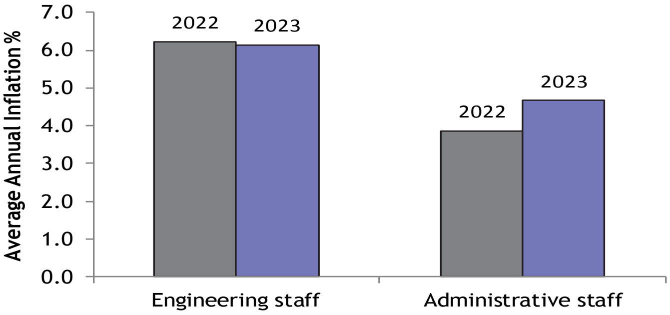
Costs Compared with 12 Months Ago in Great Britain



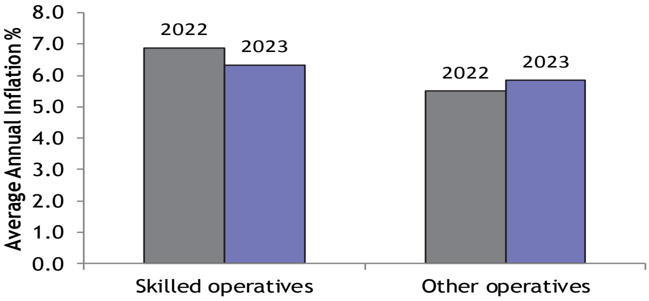
Labour Force Costs

Engineering and Administrative Staff



Cost inflation for engineering staff and administrative staff increased on average by 6.1% and 4.7%, respectively, in the 12 months to 2023 Q1. For engineering staff, 44% of respondents reported cost increases of between 5.1% and 7.5%, 13% reported rises of between 7.6% and 10.0% and another 13% reported that costs increased by more than 10.0%. For administrative staff, 23% reported increases of up between 2.6% and 5.0%, a further 33% of firms reported that costs had increased by between 5.1% and 7.5% and 12% reported increases of between 7.6% and 10.0%. 14% of respondents reported that costs for administrative staff were unchanged.

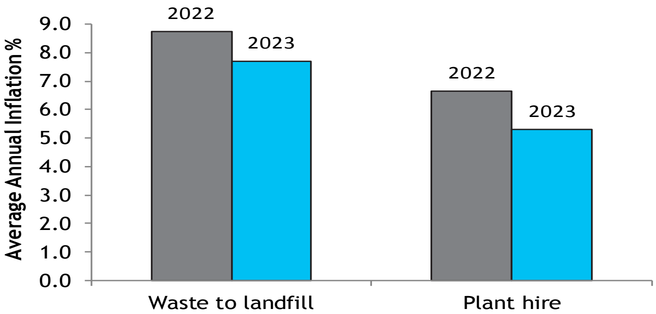
Skilled and Other Operative Staff



The annual rate of payroll cost inflation for skilled operatives moderated to 6.3% in 2023, from 6.9% and in 2022. 18% of respondents reported that costs had risen by between 2.6% and 5.0% and 45% by between 5.1% and 7.5% compared to a year earlier. 14% of respondents reported that payroll costs rose by more than 10.0%. For other operatives, payroll cost inflation was 5.8%, accelerating from 5.5% in the 2022 survey. 26% of those surveyed reported that costs had risen by between 2.6% and 5.0% and 40% by between 5.1% and 7.5% compared to a year earlier. 12% reported that costs increased by more than 10.0%. 6% of firms and 4% of firms reported declining costs for skilled operatives or other operatives, respectively.

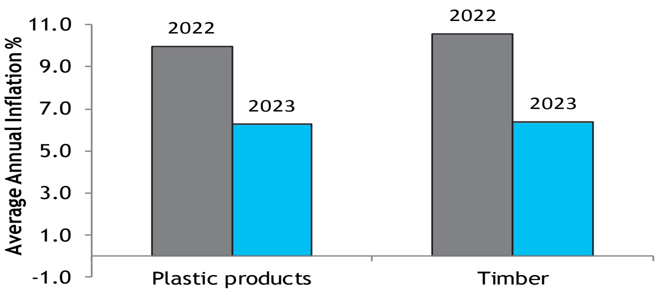
Other Civil Engineering Costs

Waste Costs and Plant Hire



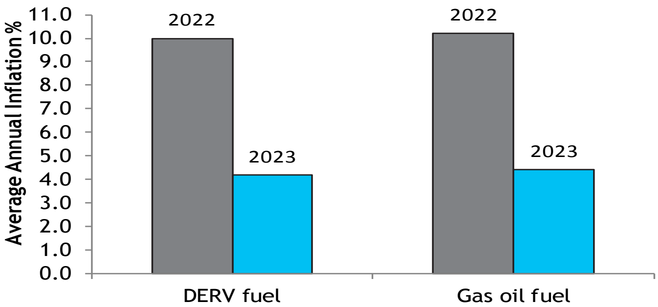
The cost of sending waste to landfill rose by 7.7% on an annual basis in 2023, down from the 8.7% rate of inflation recorded in 2022. 30% of respondents reported that costs had increased by up to 5.0%, 34% by between 5.1% and 10.0% and 32% by more than 10.0%. Meanwhile, the annual cost inflation for plant hire slowed to 5.3% in 2023 from 6.6% in 2022. 40% of respondents reported that costs rose by up to 5.0%, 22% of respondents reported that costs rose by 5.1%-7.5%, 18% reported rises of between 7.6%-10.0% and 9% reported rises of more than 10.0%. 2% reported declines in costs waste to landfill and 4% reported falls in costs for plant hire.

Plastic Products and Timber



The annual rate of inflation for plastic products slowed to 6.3% in 2023 from 10.0% in 2022. 28% of firms reported annual cost increases of 5.0% or lower, 38% reported rises of between 5.1% and 10.0% and 23% reported rises of more than 10.0%. Annual cost inflation for timber slowed to 6.4% in 2023 from 10.6% in 2022. 30% of respondents reported increased costs up to 5.0%, 33% reported increases of between 5.1% and 10.0%, and 28% reported that costs had increased by more than 10.0% compared to a year earlier. 8% of firms and 6% of firms reported a decrease in costs for plastic products and timber, respectively, in 2023.

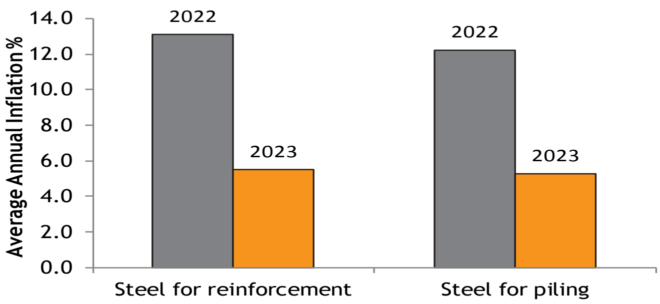
DERV Fuel and Gas Oil Fuel



DERV fuel inflation averaged 4.2% in the year to 2023 Q1, compared to 10.0% in 2022. 32% of respondents reported inflation of up to 5.0% and a further 19% reported that inflation was between 5.1% and 10.0%. 21% of respondents reported that the cost of DERV fuel decreased on the year. Meanwhile, gas oil fuel costs increased 4.4% in 2023, down from 10.2% in 2022. 24% of respondents reported that costs had increased by up to 5.0%, and 24% that costs had risen by between 5.1% and 10.0%. 21% of firms reported a decrease in costs for gas oil fuel in 2023.

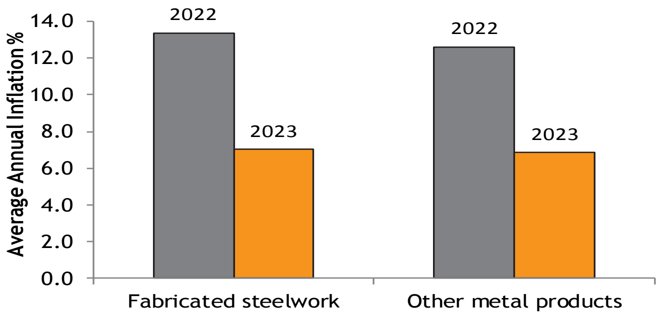
Cost of Steel and Other Metals

Steel for Reinforcement and Steel for Piling



Annual inflation for steel for reinforcement moderated to 5.5% in 2023 from the record high rate of 13.1% in 2022. 24% of firms reported increased costs up to 5.0%, 24% reported increases of between 5.1% and 10.0%, and 26% reported increases of more than 10.0%. In contrast, 22% reported a decline in costs. Similarly, annual cost inflation of steel for piling slowed to 5.3% in 2023 from the record high rate of 12.2% in 2022. 19% of firms reported increased costs up to 5.0%, 28% reported increases of between 5.1% and 10.0%, and 25% reported increases of more than 10.0%. 19% of respondents reported a decrease in the cost of steel for piling.

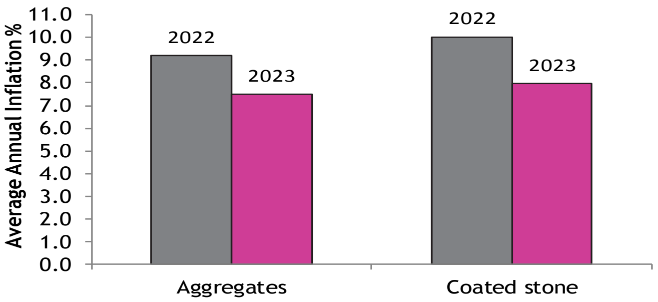
Fabricated Steelwork and Other Metal Products



Annual cost inflation for fabricated steelwork was 7.0% in 2023, down from 13.4% in 2022, which had marked the highest rate of inflation in the survey's history. 10% of firms reported increased costs up to 5.0%, 41% reported increases of between 5.1% and 10.0%, and 31% reported increases of more than 10.0%. Nonetheless, 10% also reported a fall in costs in 2023. For other metal products, the annual rate of inflation slowed to 6.8% in 2023 from a survey high of 12.6% in 2022. 11% of firms reported increased costs up to 5.0%, another 32% reported increases of between 5.1% and 10.0%, and 34% reported increases of more than 10.0%. 11% of firms reported a decrease in costs for other metal products in 2023.

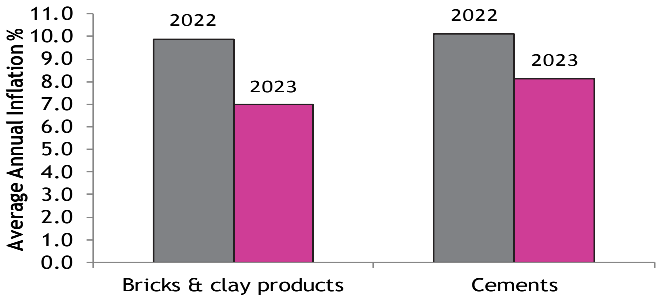
Costs of Aggregates, Bricks & Clay Products

Aggregates and Coated Stone



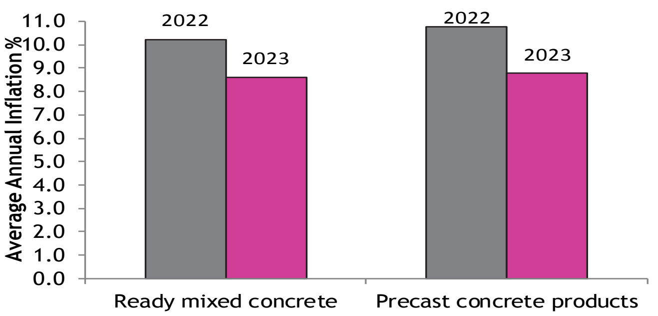
Annual cost inflation for aggregates was 7.5% in 2023, down from 9.2% in 2022. 18% of firms reported increased costs up to 5.0%, 52% reported increases of between 5.1% and 10.0%, and 24% of firms reported increases of more than 10.0%. Only 6% of firms reported a decrease in costs. Similarly, the annual cost inflation for coated stone was 8.0% in 2023, down from 10.0% in 2022. 13% of firms reported increased costs up to 5.0%, 48% reported increases of between 5.1% and 10.0%, and 30% of firms reported increases of more than 10.0%. Decreases in costs were reported by only 4% of firms.

Bricks & Clay Products and Cements



Annual cost inflation for bricks and clay products was 7.0% in 2023, down from 9.9% in 2022. 27% of firms reported increased costs of up to 5.0%, 40% reported increases of between 5.1% and 10.0%, and 25% reported increases of more than 10.0%. For cements, annual cost inflation was 8.1% in 2023, which compared to 10.1% in 2022. 25% of firms reported increased costs up to 5.0%, 35% reported increases of between 5.1% and 10.0%, and 33% reported increases of more than 10.0%. Decreases in costs were reported by 4% of firms for both bricks & clay products and cements.

Ready Mixed Concrete and Precast Concrete Products



Cost inflation for ready mixed concrete and precast concrete products averaged 8.6% and 8.8% respectively, in 2023. Both moderated from the highest annual rates of inflation ever seen in the survey in 2022: 10.2% and 10.8%, respectively. For ready mixed concrete, 15% of firms reported increased costs up to 5.0%, 43% reported increases of between 5.1% and 10.0%, and 35% of firms reported increases of more than 10.0%. For precast concrete products, 15% of firms reported increased costs up to 5.0%, 39% reported increases of between 5.1% and 10.0%, and 39% reported increases of more than 10.0%. For both ready mixed concrete and precast concrete products, 4% of firms reported an annual decrease in costs.

Average inflation	2016*	2017	2018	2019	2021*	2022	2023
Engineering staff	3.3	2.5	3.2	2.7	2.6	6.2	6.1
Administrative staff	1.9	1.2	1.8	1.7	1.4	3.9	4.7
Skilled operatives	3.2	2.7	4.1	3.0	2.9	6.9	6.3
Other operatives	2.5	2.2	3.0	2.6	2.4	5.5	5.8
DERV fuel	0.9	2.4	4.5	3.2	3.2	10.0	4.2
Gas oil fuel	0.5	1.9	4.0	2.7	3.0	10.2	4.4
Aggregates	2.3	2.1	3.3	2.8	3.5	9.2	7.5
Coated stone	2.4	2.3	3.6	2.8	3.8	10.0	8.0
Bricks & clay products	2.7	2.6	3.7	2.9	3.4	9.9	7.0
Cements	2.3	2.5	3.5	2.5	3.8	10.1	8.1
Ready mixed concrete	2.4	2.6	3.6	2.8	3.9	10.2	8.6
Precast concrete products	2.5	2.8	3.4	2.8	3.8	10.8	8.8
Steel for reinforcement	2.3	3.0	4.5	3.1	6.9	13.1	5.5
Steel for piling	2.6	2.8	4.0	2.5	6.4	12.2	5.3
Fabricated steelwork	2.8	3.2	4.4	2.8	6.6	13.4	7.0
Other metal products	2.8	2.9	4.2	2.5	6.0	12.6	6.8
Plastic products	2.1	2.3	3.1	2.7	4.7	10.0	6.3
Timber	2.1	2.4	3.1	2.6	6.2	10.6	6.4
Waste to landfill	3.1	3.3	5.3	3.3	4.1	8.7	7.7
Plant hire	1.6	1.2	2.1	1.3	1.9	6.6	5.3

* No survey in 2015 and 2020

Median inflation	2016*	2017	2018	2019	2021*	2022	2023
Engineering staff	2.7	2.3	2.6	2.9	2.2	5.6	6.2
Administrative staff	0.9	0.6	1.3	1.3	0.3	3.7	5.2
Skilled operatives	2.4	2.7	3.7	3.1	2.9	6.2	6.3
Other operatives	1.8	2.0	2.8	2.7	1.9	4.7	5.8
DERV fuel	0.4	1.9	4.1	2.5	2.8	10.0	3.8
Gas oil fuel	0.0	1.7	3.9	2.3	3.2	9.0	4.2
Aggregates	1.8	1.9	3.0	2.8	3.5	9.0	7.3
Coated stone	1.9	2.2	3.4	2.8	3.7	9.5	8.0
Bricks & clay products	1.8	2.6	3.4	2.8	3.5	9.4	7.2
Cements	1.7	2.3	3.2	2.3	3.7	10.0	7.9
Ready mixed concrete	1.8	2.7	3.5	2.5	3.9	10.4	8.5
Precast concrete products	1.7	3.1	3.0	2.7	3.9	11.3	8.5
Steel for reinforcement	1.2	2.5	3.9	3.0	6.6	15.5	5.0
Steel for piling	1.1	2.2	3.7	2.1	6.2	15.0	5.4
Fabricated steelwork	1.4	2.9	3.8	2.5	6.9	16.1	7.3
Other metal products	1.1	2.5	3.5	2.2	5.8	14.4	6.9
Plastic products	0.9	1.9	2.3	2.2	4.4	10.5	6.6
Timber	1.2	2.1	2.8	2.2	6.2	11.1	6.4
Waste to landfill	2.7	3.4	4.3	3.0	4.0	9.0	7.8
Plant hire	0.8	1.0	1.5	1.0	1.5	5.7	5.0

* No survey in 2015 and 2020