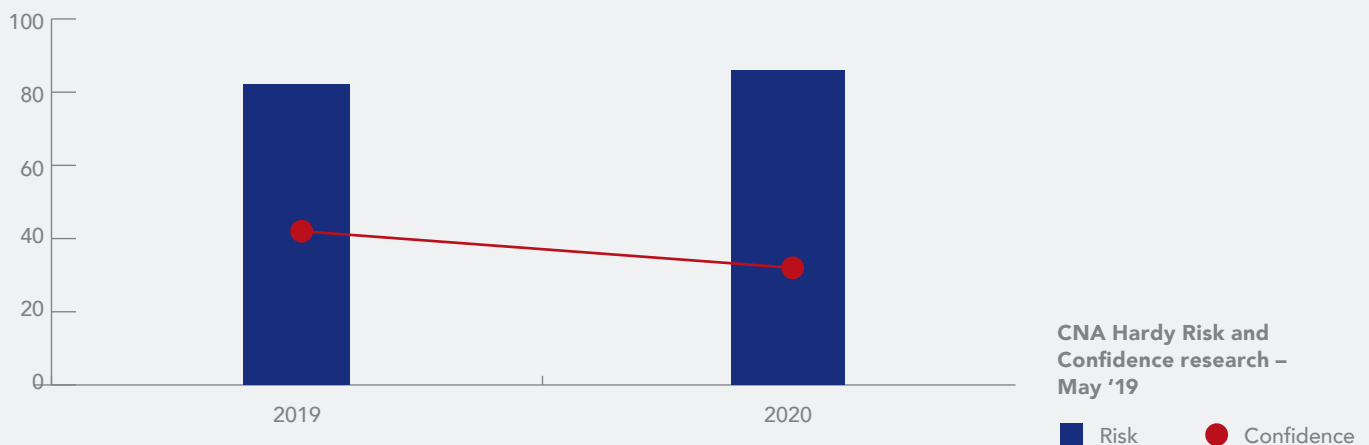




2020 Prediction: Construction sector faces new risks despite positive outlook

Confidence within the UK construction industry is set to bounce in 2020, when 42% of construction business leaders are upbeat about the ability of their business to grow and prosper compared to only 32% in May 2019¹. Similarly, construction bosses think the risk environment will improve, with 82% believing they will be operating in a medium to high risk environment in 2020, compared to 86% in the spring this year.

UK construction firms' risk and confidence predictions



These predictions are in line with other industry forecasts that anticipate the UK construction industry will grow by 5% in 2020², driven by a combination of an increase in demand for private housing, offices, education, health and large civil engineering projects – such as the Thames Tideway, Hinckley Point and HS2.

However, the sector faces a number of challenges in 2020, with the Brexit outcome still in the balance, skill shortages, reduced margins linked to sterling fluctuations and possible supply chain issues. In addition, the recent Hackitt Report on Building Regulations and Fire Safety recommends the creation of a new independent buildings regulator, and there is a move by a newly formed IUA construction committee to pressure construction insurers into greater rigour when selecting and pricing construction risk to help drive higher standards across the industry.



2020 Prediction: Construction sector faces new risks despite positive outlook

These challenges are reflected in construction bosses predicted top three rising risks for 2020, which sees political risk topping the rankings at 22% (up from 14% in May '19), followed by technology risk which is predicted to rise from 16% in May to 20% by next spring, and reputational risk set to rise in concern going from just 4% in May '19 up to 14% in 2020.

Construction firms will need to work closely with their insurance partners to keep abreast of the changing risk landscape in 2020, to ensure that their risk mitigation plans are fit for purpose as new regulations are likely to usher in a more challenging operating environment.

¹CNA Hardy Risk and Confidence research was undertaken between February and March '19, via an online survey of 1,500 business leaders of multinational firms with operations in Europe. Qualitative research was undertaken in May '19. In the UK 450 business leaders from 9 different business sectors, with a turnover ranging from £5m to £1bn+ were surveyed.

²Glenigan Construction Forecast 2019-2020 - <https://www.glenigan.com/construction-forecast-2019-2020/>

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