

Review of the UK Steel Fabrication Market

KPMG has performed a market review to compare forecast UK demand for constructional steelwork against current and future UK capacity.

The interviews held and data analysis performed suggests there is sufficient latent capacity within the UK constructional steelwork sector to meet the levels of demand for constructional steelwork currently forecast by the BCSA.

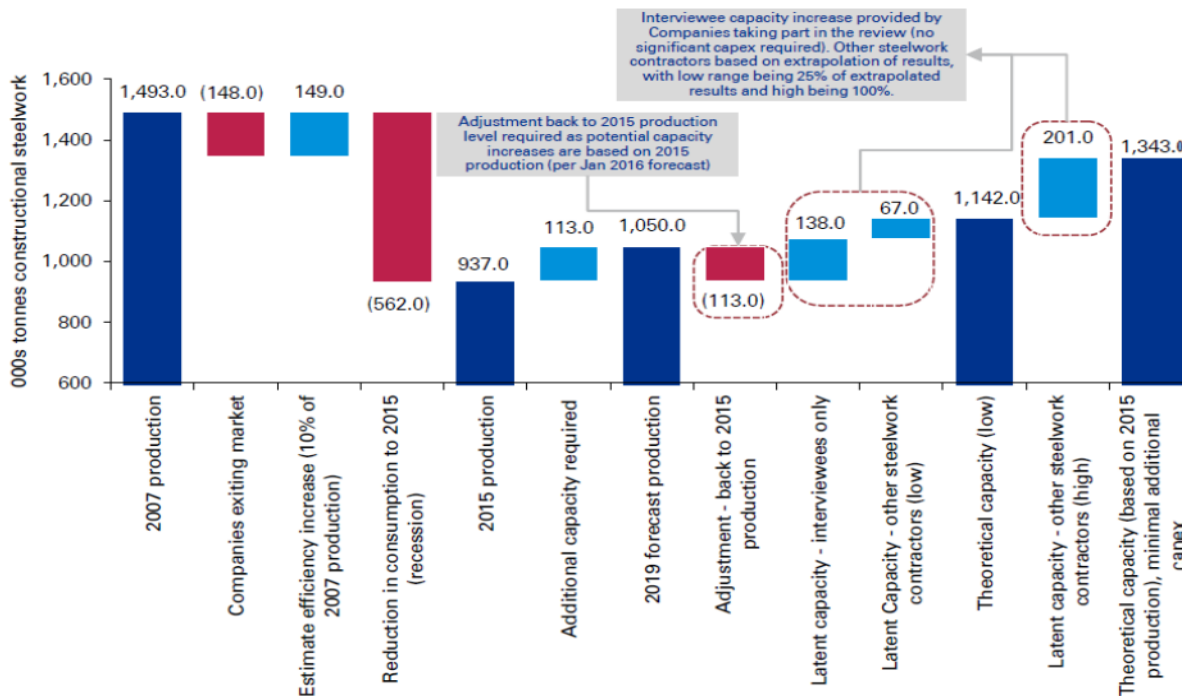
Potential to increase capacity

The BCSA forecast (January 2016) suggests there will be a requirement for 1,050,000 tonnes of constructional steelwork in 2019, an increase of 113,000 tonnes from 2015.

Through a combination of increasing shifts (including introduction of night shifts where possible), use of agency staff, and fully utilising current production facilities a relatively significant increase in capacity could be achieved in the short term of between 205,000 and 406,000 tonnes. This would provide a UK constructional steelwork capacity of between 1,142,000 and 1,343,000 tonnes. A lead time of up to 12 months (recruitment etc.) would be required to realise all of this latent capacity

Given the potential capacity available to many of the contributing steelwork contractors without significant capex in the short term, the theoretical maximum capacity could be significantly increased should there be sufficient market demand to drive future capex (beyond ongoing maintenance and recent machinery upgrades).

2007 to 2019 forecast and theoretical capacity bridge



Source: BCSA, Severfield Plc, data from interviews, KPMG analysis

Risks

Recent events in the wider steel-making industry do not provide a material short term threat to the supply chain.

While one risk is the availability of skilled staff, the industry has made significant recent investment in apprentices in order to address this.



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