News Release

Embargoed until 0930 BST (0830 UTC) 05 April 2024

S&P Global UK Construction PMI®

Construction sector returns to growth in March

Key findings

Fractional rise in overall construction output

Strongest increase in new orders since May 2023

Input price inflation eases to a three-month low

UK construction companies indicated a renewed increase in total industry activity during March, thereby ending a six-month period of decline. Survey respondents often commented on a turnaround in sales pipelines and greater new business enquiries linked to the improving economic outlook and more stable financial conditions.

Adding to signs of a recovery in construction sector performance, new orders expanded at the fastest pace since May 2023. However, construction companies remained cautious about staff hiring, with employment numbers falling for the third month running in March.

The headline S&P Global UK Construction Purchasing Managers' Index™ (PMI®) – a seasonally adjusted index tracking changes in total industry activity – rose from 49.7 in February to 50.2 in March. Any reading above 50.0 indicates an overall expansion of construction output. Although signalling only a fractional rise in business activity, the index was at its highest level since August 2023.

Civil engineering was the best-performing segment in March, as output levels increased at a marginal pace. Panel members cited increased work on infrastructure projects and resilient demand in the energy sector.

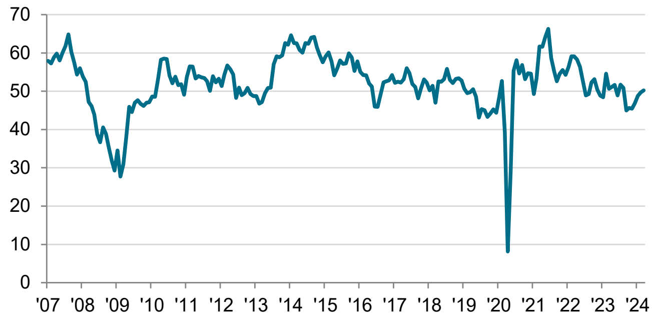
House building and commercial construction activity were both broadly unchanged in March. The stabilisation in residential work represented the best performance for this category since November 2022.

March data pointed to a moderate increase in new work received by construction companies. The rate of expansion accelerated since February and was the strongest for ten months. Anecdotal evidence pointed to a general rise in new project starts and greater tender opportunities across the construction sector so far in 2024.

In contrast to the positive trends for output and new orders, latest data signalled another reduction in staffing

Construction Total Activity Index

sa, >50 = growth since previous month



Sources: S&P Global, CIPS.

Data were collected 12-27 March 2024.

Comment

Tim Moore, Economics Director at S&P Global Market Intelligence, which compiles the survey said:

"UK construction output returned to growth in March as a renewed expansion of civil engineering work was supported by more stable conditions in the housing and commercial building segments. The marginal overall rise in total construction activity ended a six-month period of contraction.

"The near-term outlook for construction workloads appears increasingly favourable as order books improved again in March and to the greatest extent for just under one year. Construction companies generally commented on a broad-based rebound in tender opportunities, helped by easing borrowing costs and signs that UK economic conditions have started to recover in the first quarter of 2024.

"Staff hiring was a weak spot for the construction sector in March amid lingering concerns about margin pressures and continued risk aversion among major clients. Construction firms often reported delays with replacing departing staff, which led to a decrease in total employment numbers for the third month in a row.

"Supply chain pressures eased across the construction sector as subdued purchasing activity helped to alleviate strains on capacity. Improved supply conditions also led to a slowdown in the rate of cost inflation, which slipped to a three-month low in March."

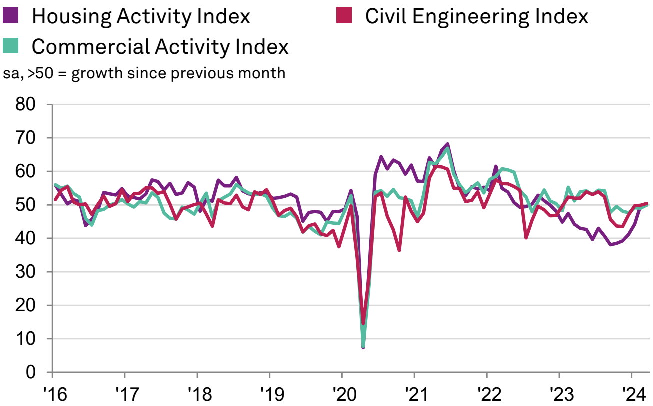
© 2024 S&P Global

numbers. That said, the rate of job shedding was only marginal and eased since the previous month. At the same time, sub-contractor usage was stable in March. The latest survey indicated a strong improvement in sub-contractor availability. Rates charged by sub-contractors increased at the fastest pace since August 2023.

Purchasing costs rose for the third month running in March. However, the rate of inflation was only marginal and the weakest seen over this period. Survey respondents noted increasing transport costs, but others suggested that strong competition among suppliers had constrained the overall rate of input price inflation.

Suppliers' delivery times shortened for the thirteenth consecutive month in March, albeit to only a moderate extent. Anecdotal evidence suggested that improving materials availability and subdued demand had contributed to improving vendor performance.

Construction companies remain upbeat about their prospects for business activity in the next 12 months. Around 49% of the survey panel anticipate a rise in output levels, while only 11% predict a decline. That said, the degree of optimism eased since February and was the lowest in 2024 to date. Survey respondents typically commented on stronger order books and hopes that broader market conditions will continue to improve, especially in relation to house building projects. Meanwhile, political uncertainty, squeezed margins and financial pressures were cited as factors weighing on optimism.



Source: S&P Global PMI.

Contact

Tim Moore
Economics Director
S&P Global Market Intelligence
T: +44 (0) 1491 461 067
tim.moore@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click here.

Survey methodology

The S&P Global UK Construction PMI® is compiled by S&P Global from responses to questionnaires sent to a panel of around 150 construction companies. The panel is stratified by company workforce size, based on contributions to GDP. Survey data were first collected April 1997.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Total Activity Index. This is a diffusion index that tracks changes in the total volume of construction activity compared with one month previously. The Total Activity Index is comparable to the Manufacturing Output Index and Services Business Activity Index. It may be referred to as the 'Construction PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.com.

About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.
www.spglobal.com/marketintelligence/en/mi/products/pmi

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

© 2024 S&P Global