

News Release

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S&P Global UK Construction PMI®

Fastest expansion of construction output since February 2023

Key findings

Growth led by commercial work and civil engineering

House building declines again in April

Supply conditions continue to improve

Business activity growth gained momentum across the UK construction sector in April, largely due to solid rates of expansion in the commercial and civil engineering segments. Near-term prospects remained relatively positive, as new work increased for the third month running amid reports of a boost to sales from improving domestic economic conditions.

Supplier lead times meanwhile shortened to the greatest extent in 2024 so far, which survey respondents linked to rising materials availability and relatively soft demand for construction inputs.

At 53.0 in April, up from 50.2 in March, the headline S&P Global UK Construction Purchasing Managers' Index™ (PMI®) – a seasonally adjusted index tracking changes in total industry activity – registered in positive territory for the second month running and signalled the strongest pace of expansion since February 2023.

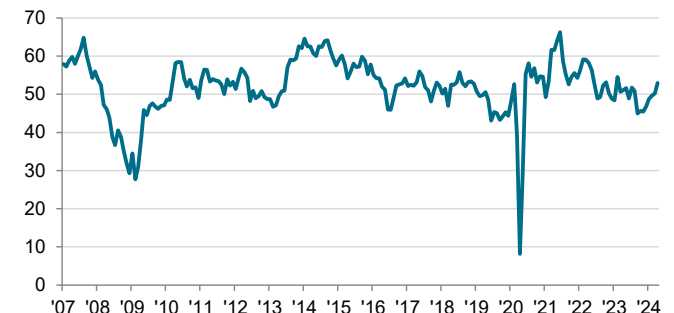
Commercial building (index at 53.9) increased for the first time since August 2023 and was the fastest-growing area of construction activity in April. Survey respondents commented on rising workloads and a turnaround in customer demand, in part driven by refurbishment projects. Civil engineering activity (index at 53.6) meanwhile expanded again in April and at the strongest pace for nine months.

The latest survey signalled a setback for house building activity (index at 47.6). April data pointed to a moderate fall in residential building work, although the rate of decline was the steepest since January. Construction companies again noted sluggish market conditions and the impact of elevated borrowing costs.

New business volumes increased for the third successive month in April, although the rate of expansion eased since March and was only modest. Those reporting higher new order intakes typically cited improved client confidence, particularly in the commercial segment.

Construction Total Activity Index

sa, >50 = growth since previous month



Sources: S&P Global, CIPS.

Data were collected 11-29 April 2024.

Comment

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

"The construction sector consolidated its recent return to growth in April, with total industry activity rising at the fastest pace for 14 months amid an ongoing recovery in order books. Demand was boosted by greater confidence regarding the broader UK economic outlook. Commercial construction outperformed in April and civil engineering also provided a solid contribution to overall growth.

"Lacklustre market conditions in the house building segment continued to weigh on activity. The latest survey pointed to the fastest reduction in residential building work since January, although the speed of the downturn remained much softer than in the second half of 2023.

"Hiring trends were subdued in April despite a recovery in workloads, which mirrored trends seen in other part of the UK economy, as construction firms sought to maintain a tight focus on costs against a backdrop of strong wage pressures. Purchasing prices nonetheless increased only modestly in April. An improved balance between supply and demand helped to contain overall input cost inflation, as suggested by the fastest improvement in vendor performance so far in 2024.

"Business activity expectations for the year ahead picked up slightly in April, supported by a sustained recovery in new orders, positive signals for sales pipelines, and anticipated interest rate cuts in the second half of 2024."

PMI®

by S&P Global

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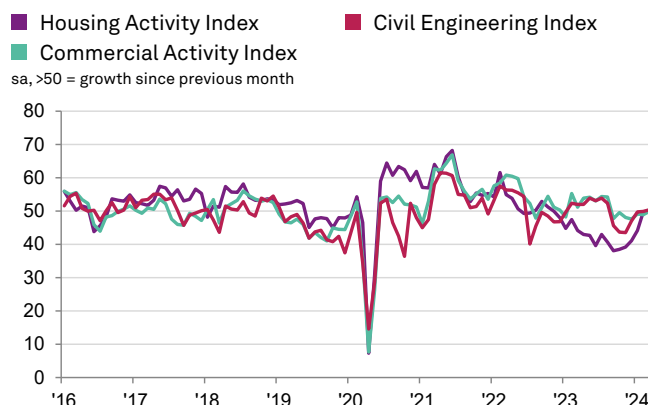
Despite sustained rises in output and new work, the latest survey pointed to another marginal reduction in employment numbers. Lower staffing levels were often linked to the non-replacement of voluntary leavers, due to cost pressures and the completion of major projects.

Demand for construction products and materials softened for the eighth consecutive month in April. Lower input buying was partly attributed to destocking. Supplier performance meanwhile improved at the fastest pace since December 2023.

Sub-contractor availability increased at a robust rate in April, despite a rise in usage for the first time in 2024 to date. Rates charged by sub-contractors increased at the strongest pace since August 2023.

Purchasing prices rose only modestly in April, with construction firms noting that suppliers had sought to pass on greater wage bills and transportation costs. However, the overall rate of cost inflation was only modest and well below the long-run survey average.

Finally, optimism regarding the year-ahead business outlook edged up in April. Nearly half of the survey panel anticipate a rise in output during the next 12 months, while only 11% forecast a decline. Survey respondents mostly commented on improving sales enquiries and more positive signals for customer demand, alongside hopes of interest rate cuts in the latter half of 2024.



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

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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.

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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