

S&P Global UK Construction PMI®

Strongest rise in commercial construction activity for two-and-a-half years

Output growth picks up in November, led by commercial work

House building activity declines at sharpest pace since June

New orders and job creation lose momentum

November PMI® data highlighted a robust upturn in UK construction output. However, new order growth eased to a five-month low and year-ahead business activity expectations were the least upbeat since October 2023.

At 55.2 in November, up slightly from 54.3 in October, the headline S&P Global UK Construction Purchasing Managers' Index™ (PMI®) – a seasonally adjusted index tracking changes in total industry activity – pointed to a robust and accelerated expansion of overall construction activity. The headline index has now posted above the neutral 50.0 threshold for nine months running.

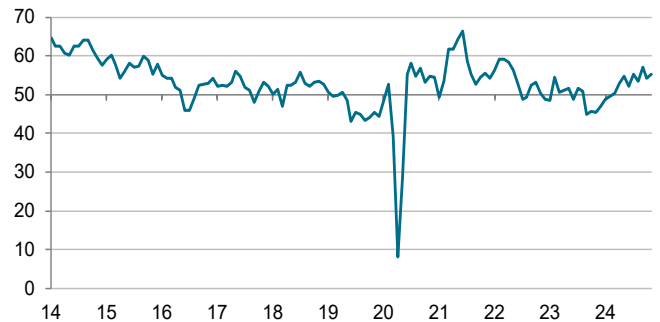
A faster upturn in construction output was driven by the strongest rise in commercial work for two-and-a-half years (index at 58.1). Survey respondents commented on improving customer demand and new opportunities to tender, despite relatively subdued economic conditions. Civil engineering activity (55.9) also expanded at a strong pace in November. That said, the rate of growth slipped to a three-month low.

House building (47.9) remained by far the weakest-performing category of construction work in November. The respective seasonally adjusted index was inside negative territory for the second month in a row and signalled the fastest rate of decline since June. Construction companies once again noted that elevated borrowing costs and fragile consumer confidence had an adverse impact on demand conditions.

New business volumes increased across the construction sector as a whole for the tenth successive month in November and at a solid pace. The rate of growth nonetheless slipped to its lowest since June. There were some reports that political and economic uncertainty linked to the Autumn Budget had affected client confidence. Where growth was reported, with was often linked to new projects in the commercial sector.

November data highlighted only a marginal rise in employment numbers, with the rate of job creation easing to a three-month low. Anecdotal evidence highlighted increasing employment costs as a factor holding back staff hiring. Some construction companies commented on greater use of sub-contractors to help mitigate rising costs. This was signalled by an increase in sub-contractor usage for the first time since July. Latest data nonetheless pointed to the steepest increase in sub-

S&P Global UK Construction PMI Total Activity
Index, sa, >50 = growth m/m



Data compiled 12-28 November 2024.

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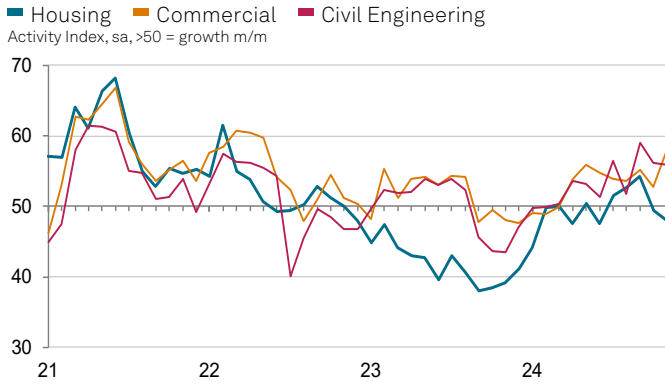
Comment

Tim Moore, Economics Director at S&P Global Market Intelligence, said:

"The construction sector bucked the slowdown seen elsewhere across the UK economy in November, according to the latest S&P Global PMI survey. Total industry activity once again expanded at a robust pace and there has been a clear acceleration in growth compared to that seen in the first half of 2024.

"However, the recovery in construction activity remains somewhat lopsided. Strengthening demand for commercial work and civil engineering projects contrasted with a sustained downturn in house building. Commercial construction activity expanded at the fastest pace for two-and-a-half years in November, while residential work declined at the steepest rate since June. Elevated borrowing costs and fragile client confidence meanwhile acted as a brake on new order growth in November, with the upturn in sales the slowest for five months.

"A loss of momentum for new work, alongside concerns about rising employment costs, resulted in weaker job creation and falling business optimism across the construction sector. The degree of positive sentiment regarding year-ahead growth prospects dropped to the lowest since October 2023. Many construction companies cited concerns about the near-term UK economic outlook and subsequent cutbacks to new projects."



Source: S&P Global PMI. ©2024 S&P Global.

contractor charges for 16 months.

Purchasing activity meanwhile increased at the slowest pace since the current phase of expansion began in May, largely reflecting a loss of momentum for new order growth. Supplier performance deteriorated to the greatest extent since February 2023, with survey respondents mainly citing transportation issues and international shipping delays.

Construction companies recorded the fastest rise in their average cost burdens for 18 months in November. This was linked to a general increase in raw material prices, as well as efforts among some suppliers to pass on higher staff costs.

Finally, around 43% of the survey panel predict an increase in business activity during the year ahead, while 21% forecast a reduction. Although this signalled upbeat business expectations across the construction sector, the degree of optimism was down sharply since October and the lowest for 13 months. Anecdotal evidence from survey respondents widely suggested that worries about the UK economic outlook and impact on business investment from rising employment costs had weighed on business optimism in November.

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.

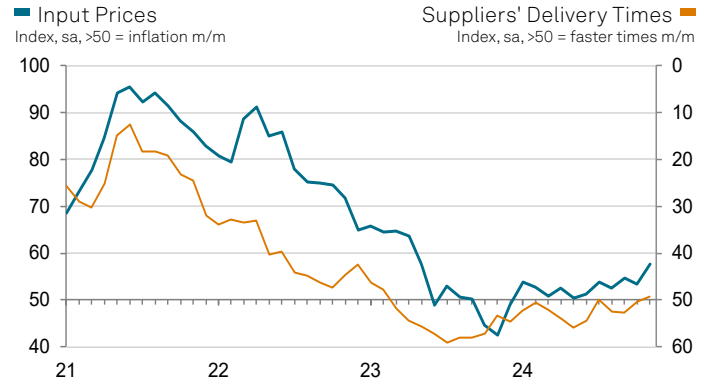
The headline figure is the Total Activity Index. This is a diffusion index that tracks changes in the total volume of construction activity compared with one month previously. The Total Activity Index is comparable to the Manufacturing Output Index and Services Business Activity Index. It may be referred 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.

PMI by S&P Global

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



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