

News Release

Embargoed until 0930 GMT (0930 UTC) 4 November 2022

S&P Global / CIPS UK Construction PMI[®]

Construction activity continues to rise in October, but new orders fall for first time since May 2020

Key findings

Output growth edges up to its highest for five months

Marginal decline in new work

Business expectations drop to 29-month low

October PMI[®] data indicated that the UK construction sector gained momentum, with total industry activity rising at the fastest pace since May.

Despite signalling a solid recovery in business activity from the downturn seen this summer, construction companies indicated that growth expectations for the year ahead remained very subdued. The degree of optimism fell sharply since September and was the lowest for almost two-and-a-half years, reflecting falling volumes of new work and worries about the longer-term UK economic outlook.

The headline seasonally adjusted S&P Global / CIPS UK Construction Purchasing Managers' Index[®] (PMI[®]) – which measures month-on-month changes in total industry activity – posted 53.2 in October, up from 52.3 in September and the highest reading since May. Moreover, the index continued to pick up from the 26-month low seen in July (48.9). Higher levels of business activity were attributed to a combination of new project starts and strong pipelines of unfinished work.

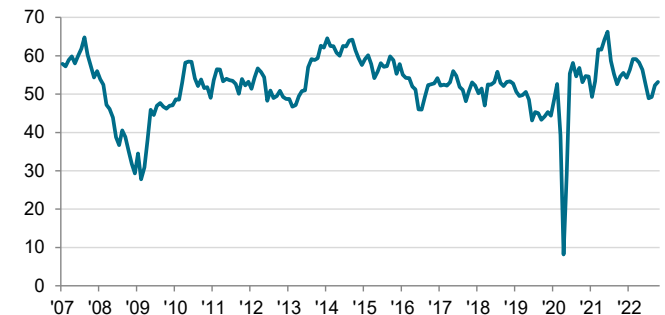
Commercial building was the best-performing category in October (index at 54.5), with output growth reaching a five-month high. Residential work also expanded (51.2), but at a softer pace than in September. Meanwhile, civil engineering activity decreased for the fourth month running (48.5).

Total new orders decreased slightly in October, which ended a 28-month period of sustained expansion. Construction companies noted weaker confidence among clients, alongside headwinds from rising input prices and higher borrowing costs. Some firms also reported a drop in new work due to heightened political uncertainty.

Rising construction output contributed to increases in input buying and staff hiring during October. However, survey respondents noted that weaker demand contributed to a slowdown in the rate of job creation since September.

Construction Total Activity Index

sa, >50 = growth since previous month



Sources: S&P Global, CIPS.

Data were collected 12-28 October 2022.

There were some positive signals for supply chain performance in October as instances of longer delivery times were the fewest since February 2020. Moreover, the seasonally adjusted Suppliers' Delivery Times Index was above its pre-pandemic average, which suggested that supply shortages and transport delays have eased considerably in comparison to the low point seen last year.

Despite a turnaround in supply chain pressures, latest data signalled another steep increase in average cost burdens across the construction sector. Higher purchasing prices were overwhelmingly linked to greater energy costs, fuel bills and the pass through of rising wages. This was partly offset by softer commodity price pressures. Measured overall, the rate of input cost inflation eased slightly since September and was the lowest for 20 months.

Looking ahead, construction firms are relatively downbeat about their growth projections for the year ahead. Around 33% of the survey panel anticipate a rise in business activity, while 26% predict a decline. The resulting index signalled the lowest degree of optimism since May 2020.

Many companies commented on recession worries and a drop in UK economic prospects due to rising political uncertainty. Meanwhile, those reporting positive sentiment in October often cited tender opportunities in niche markets or opportunities related to infrastructure spending (especially green energy projects).

Comment

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

"Construction output has staged a modest recovery after the downturn seen through much of this summer, with growth hitting a five-month high in October. Commercial work was the best-performing area of activity as delayed projects moved forward, while increased house building also provided a positive contribution to overall workloads.

"However, the forward-looking survey indicators highlight that growth will be harder to achieve in the coming months as rising borrowing costs, economic uncertainty and cost constraints all had a negative influence on order books in October. The reduction in total new work was the first since May 2020 and this fuelled increased concerns about longer-term tender opportunities.

"Business optimism regarding the year ahead slumped in October and was by far the weakest since the early pandemic months. Construction firms cited concerns about a broad-based decline in client demand due to cutbacks on non-essential spending among clients, although some noted that growth linked to green energy projects, planned infrastructure spending and success in niche markets could help to offset the UK economic headwinds."

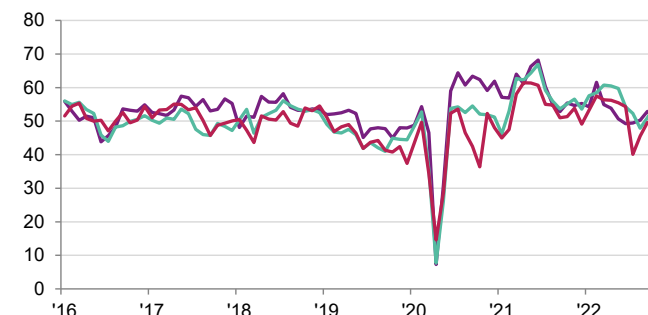
Dr John Glen, Chief Economist at the Chartered Institute of Procurement & Supply, said:

"The construction sector offered a small improvement in output compared to September, maintaining its place in growth territory and rising at the fastest rate for almost six months. However, this positive result offered little in terms of comfort even though purchasing activity also rose and supply chain performance returned to near-normal levels, the sector remained under pressure from all sides.

"New business levels dropped for the first time since May 2020 so this momentum in output levels mostly came from projects in hand or those delayed rather than fresh assignments. Job creation was maintained so builders were able to complete unfinished work, but salary demands along with higher energy costs stripped away margins with inflationary pressures still high.

"The housing sector lost some of its momentum creeping closer to the no-change mark and sitting in a precarious position as the recent interest rate rise will impact on affordability rates for new homes in the months ahead. The UK is entering a recession and higher borrowing costs are intensifying these challenges, which combined to drag down builder optimism about the year ahead to its lowest level since May 2020."

■ Housing Activity Index
■ Civil Engineering Index
■ Commercial Activity Index
sa, >50 = growth since previous month



Source: S&P Global.

Contact

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

Trudy Salandiak
Corporate Communications
CIPS
T: +44-1780-761576
trudy.salandiak@cips.org

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 / CIPS 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@ihsmarkit.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 CIPS

The Chartered Institute of Procurement & Supply (CIPS) is the world's largest procurement and supply professional organisation. It is the worldwide centre of excellence on purchasing and supply management issues. CIPS has a global community of 60,000 members in over 150 countries, including senior business people, high-ranking civil servants and leading academics. The activities of procurement and supply chain professionals have a major impact on the profitability and efficiency of all types of organisation and CIPS offers corporate solutions packages to improve business profitability.

www.cips.org

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.

ihsmarkit.com/products/pmi.html

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 registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited 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.