

News Release

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S&P Global UK Construction PMI[®]

Construction activity rises at fastest pace in two years during May

Key findings

Sharper growth of activity amid further rise in new orders

Renewed increases in employment and purchasing

Input costs up only marginally

Growth in the UK construction sector gained momentum during May, with activity and new business increasing at sharper rates than in April. Rising workloads prompted renewed expansions in purchasing activity and employment, while business confidence also strengthened.

Supply-chain conditions continued to improve amid reports of good stock availability at vendors. This contributed to the pace of input cost inflation slowing to a marginal pace.

The headline S&P Global UK Construction Purchasing Managers' Index™ (PMI[®]) – a seasonally adjusted index tracking changes in total industry activity – posted above the 50.0 no-change mark for the third month running in May to signal a sustained expansion in activity midway through the second quarter of the year. Moreover, the index rose to 54.7 from 53.0 in April, pointing to a marked increase in activity that was the fastest for two years.

For the first time since May 2022, all three monitored categories saw activity increase during the month as housing activity returned to growth. The expansion in activity on residential projects was only marginal, however. The sharpest increase in activity was seen in the commercial category where the rate of growth accelerated to a two-year high. Meanwhile, civil engineering activity rose at a solid, but slightly softer pace.

According to respondents, the latest increase in total construction activity reflected sustained growth of new orders. New business rose for the fourth consecutive month, and at a solid pace that was the fastest for a year as demand conditions improved. In particular, firms linked higher new orders to the winning of new contracts and the commencement of previously delayed projects.

With new order growth sustained midway through the second quarter, construction firms increased employment for the first time in five months. Although only modest, the pace of job creation was the sharpest since last September.

Construction Total Activity Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 09-30 May 2024.

Comment

Andrew Harker, Economics Director at S&P Global Market Intelligence, said:

"The UK construction sector looks to be building good momentum as we approach the middle of 2024, highlighted by activity increasing at the fastest pace in two years during May. Particularly pleasing was the broad-based nature of the rise in activity as work on housing projects increased for the first time in more than a year-and-a-half."

"Firms are gearing up for further growth in the months ahead, posting renewed expansions in both employment and purchasing activity as workloads increase."

"Moreover, the supply-chain environment continued to improve in May. Companies were able to secure inputs much more quickly than in April and at prices that were only slightly higher than in the previous month on average. These factors should help constructors in their efforts to ramp up operations in line with greater new order inflows."

PMI[®]

by S&P Global

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A renewed increase in purchasing activity was also registered in May, again linked to improving workloads. The rise in input buying ended an eight-month sequence of decline.

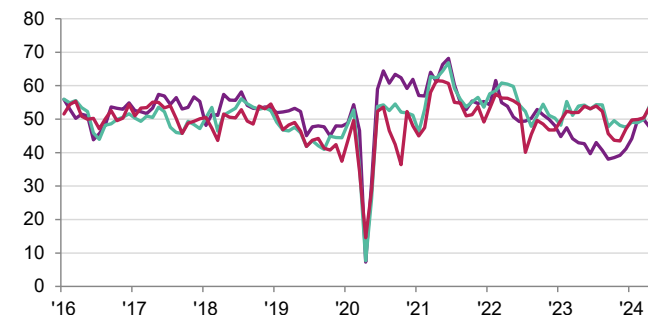
Where companies purchased inputs, they once again experienced an improvement in vendor performance amid reports that stock holdings at suppliers were healthy. Furthermore, lead times shortened to the greatest extent in seven months.

With supply-chain conditions improving, companies noted only a marginal increase in input costs during May, with the rate of inflation the softest in the current five-month sequence of rising input prices.

Construction firms also signalled a marked improvement in the availability of sub-contractors in May, despite the largest expansion in their usage since April 2022. The rates charged by sub-contractors increased solidly, albeit at a pace that was weaker than the series average.

Further increases in new orders, in some cases linked to planned marketing campaigns, are set to support continued growth of construction activity over the next 12 months. Companies also hoped for an improvement in economic conditions and reduction in interest rates. Business confidence increased to a three-month high in May.

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



Source: S&P Global PMI.

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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