

# United Kingdom

## Construction industry suffers biggest quarterly decline in four years

- **Construction output falls 1.1% in three months to September**
- **Second quarterly decline signals recession**
- **But output trend improves in September alone, and PMI survey data point to further pick-up in October**

The UK's construction sector suffered its largest quarterly decline in output for four years in the three months to September, according to official data. However, survey data suggest that the building industry is seeing renewed signs of life as we move towards the end of the year.

Data from the [Office for National Statistics](#) showed output of the construction sector falling 1.1% in the third quarter. That's better than the initial 1.4% decline calculated in the first estimate of GDP (which showed a 0.5% rise), but isn't enough to cause any GDP revision. It's also the biggest drop since the third quarter of 2012 and the second successive quarterly decline, meaning the construction sector is now in a technical recession (output fell 0.1% in the second quarter).

There's light appearing for beleaguered builders, however. First, the downturn had been signalled in advance by survey data which have since revived. The Markit/CIPS PMI survey has shown construction industry output rising in both September and October, with the rate of growth accelerating to the highest since March. Second, the official data lag behind the survey but likewise recorded an upturn in the month of September, with output up 0.3% compared to August.

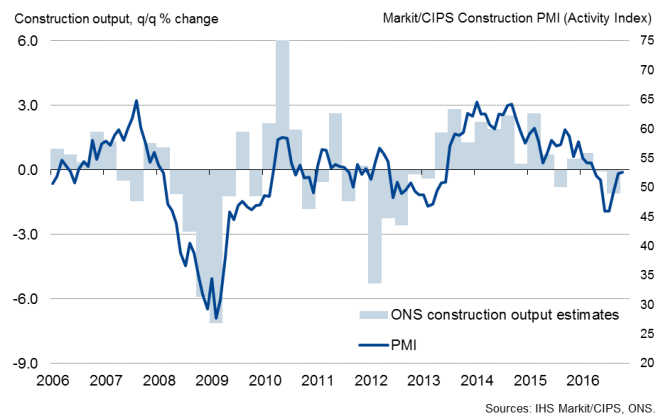
Both the official and business survey data therefore hint at the construction industry starting to revive after being hit hard by the economic and political uncertainty that surrounded June's Brexit vote.

That said, there is clearly a considerable degree of caution which continues to curtail construction growth. The PMI surveys showed growth in October being driven entirely by residential house building. Commercial building activity and civil engineering both saw small declines. While the upturn in house building is welcome news for a country suffering a shortage of homes, the weakness of commercial building is a

particular worry as it suggests a lack of investment appetite.

The upturns in the September data and the business surveys nevertheless point to the construction sector pulling out of its EU vote-related slump and making a positive contribution to the economy in the fourth quarter. The extent to which the upturn lasts of course depends on how the government ensure confidence is maintained as it paves the road to Brexit.

### UK construction: official and survey data compared



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