

# United Kingdom

## Construction set to provide further boost to economy in third quarter

- **Construction output shows strongest annual rise since December 2011**
- **Housing, infrastructure and commercial building all up sharply in Q3 so far**

The construction industry is on course to provide another major boost to the economy in the third quarter, with encouraging signs that commercial building and infrastructure spending are rising alongside an ongoing upturn in house building. The increasingly broad-based upturn suggests that companies are beginning to increase their capital investment, which bodes well for the sustainability of the economic recovery.

Construction industry output grew in August at the fastest annual pace since December 2011. The turnaround so far this year has been quite remarkable. Having been contracting at an annual rate of 12.4% last December, the industry is now growing at a rate of 4.0%. However, the recent growth merely takes output back to the same level as seen at the start of 2012, with activity still just over 6% below the average seen during 2011.

Output is running 2.0% higher on average in the third quarter so far compared with the second quarter, meaning the construction industry is on course to provide an even bigger boost to the UK economy in the third quarter than in the three months to June, when output rose 1.9%.

Although output fell 0.1% in August, the decline came on the back of a 2.8% expansion in July.

New house building is running higher than in the second quarter, with private sector house building up a buoyant 4.3% on average so far in the third quarter after surging 7.8% in the second quarter.

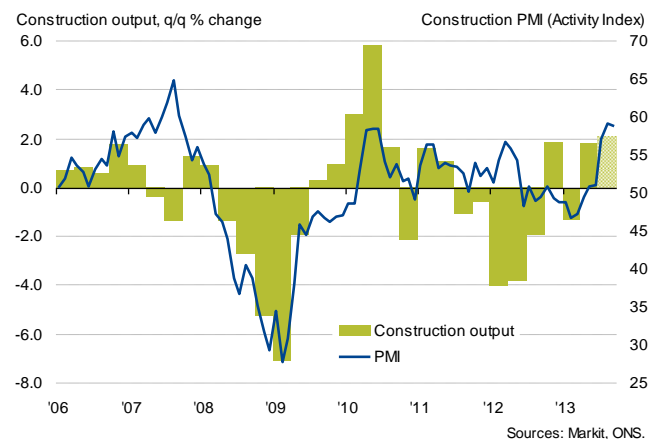
The particularly encouraging news is the 4.0% increase in infrastructure building that has taken place so far compared to the second quarter, which would represent the first quarterly increase since last year.

Private commercial new work is also on the rise, up 4.5% in the third quarter so far compared with a 1.0% drop in the second quarter. Private industrial work

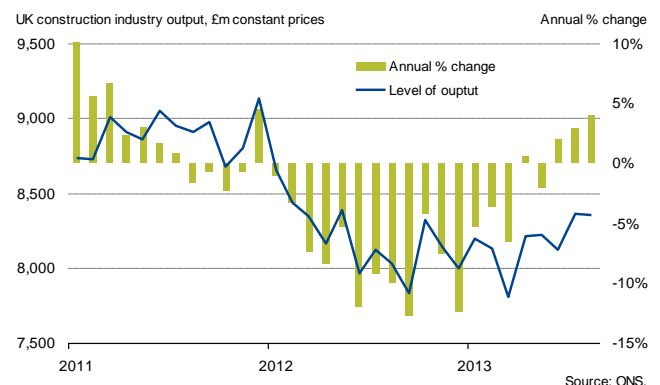
continues to fall, but the quarterly decline is set to be only marginal and the weakest so far this year.

PMI survey data suggest that the sector continued to expand at a robust pace in September, growing at a rate just shy of a six-year high seen in August. The contribution of the sector to the economy in the third quarter may therefore be even stronger than the 2.0% increase registered by the official data so far in July and August.

### UK construction: official and survey data



### UK construction



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