

United Kingdom

Signs of construction malaise lifting, led by house building

- Official data show construction decline easing in three months to October
- House building rises sharply in October
- Survey data point to ongoing housing-led gains in November, but confidence remains fragile

Official data provide tentative signs that the UK construction industry is starting to see some signs of improved performance after the post-referendum soft patch.

Revised data indicate that the building sector suffered a smaller than previously thought decline in the third quarter, according to the [Office for National Statistics](#), but still saw output drop 0.8% compared to the second quarter. Although output fell 0.6% in October, the more important trend rate of decline showed signs of easing at the start of the fourth quarter, with output down 0.6% in the three months to October compared to the prior three months.

All new work in fact increased by 0.1% in the three months to October, but repair and maintenance was down 1.9%.

The improvement is being led by house building, which rose 1.7% in October.

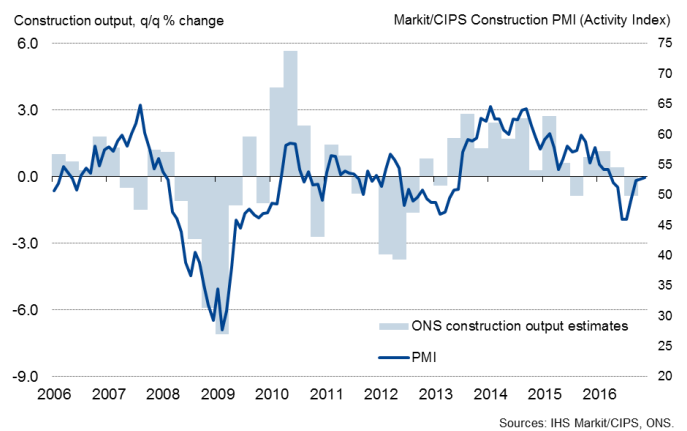
Survey data for November point to a further improvement in the trend, again led by the housing sector, suggesting that construction activity continued to rebound from the post-referendum weak patch seen during the third quarter. Business activity and incoming new work increased in November at the strongest pace since March.

The rate of growth signalled by the surveys nevertheless clearly remains subdued relative to the strong expansions seen in 2014 and 2015, highlighting how uncertainty has dented demand for construction projects this year, especially commercial building.

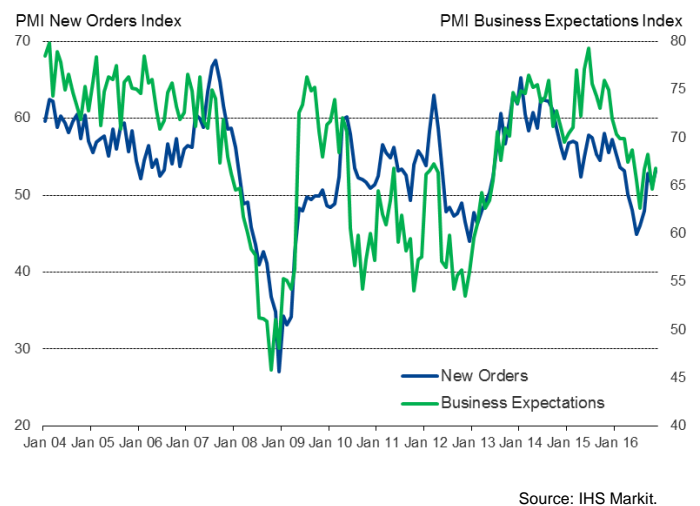
It's also unlikely that construction growth will pick up significantly next year: the PMI survey also found that business confidence in the sector about the year ahead was still softer than seen during the first half of

2016, with construction companies generally noting that Brexit-related uncertainty had the potential to weigh on business activity during 2017.

UK construction: official and survey data compared



Construction sector PMI expectations



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