

# United Kingdom

## Construction sector boosts economic growth more than expected

- **Construction output jumps 2.2% in October, buoyed by house building and infrastructure work**
- **Revisions to back data point to faster than expected GDP growth**
- **Strong growth momentum signalled for fourth quarter**

The UK construction industry is enjoying a strong and increasingly broad-based recovery, according to the Office for National Statistics, meaning the sector should help boost the economy in the fourth quarter. The official data confirm the buoyant messages seen in recent months from the business surveys. Output rose 2.2% in October, its largest rise since July, pushing work volumes 5.3% higher than a year ago.

Revisions to back data also mean that the pace of UK economic growth in the first and third quarters of 2013 is now stronger than previously thought, with GDP growing by 0.5% and 0.9% respectively, revised up 0.1% in both cases. The upward revisions raise the prospect of the UK economy growing 1.7% for 2013 as a whole, providing survey signals of 1.0% growth in the fourth quarter prove accurate.

New work rose 2.4% compared with September, led by housing and infrastructure, which surged 5.8% and 7.5% respectively. While the upturn in the housing market is welcome, as the building of new homes is essential to help keep house prices growth from accelerating further, it is the upturn in infrastructure spending which is most welcome, as it adds to evidence of the growing sustainability of the wider economic upturn.

The only real disappointment was a 5.8% drop in private industrial work. But this contrasts with more upbeat survey data and could start rising again soon. This view is supported by the ONS showing that new orders for private industrial planned projects leaped 31.8% in October.

Looking at new orders for the industry over the third quarter, one gets a better sense of just how much

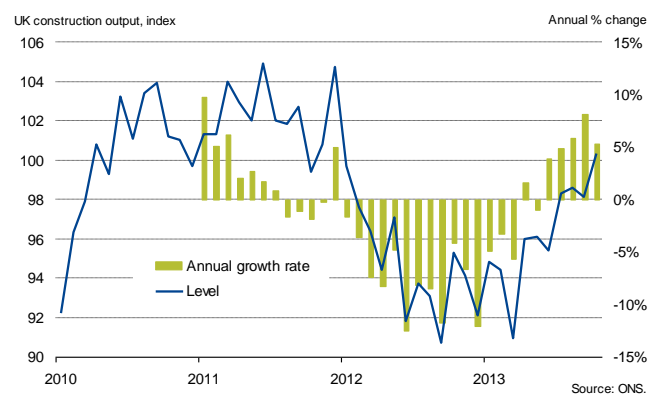
momentum there is in the construction sector at the moment. New orders were up some 17.8% on a year ago, driven by a 41.6% increase in new housing and a 21.3% increase in private commercial work. Public new work acted as a small drag, dropping 3.9%.

Further robust growth is likely in November, meaning the sector is on course to provide a major boost to GDP in the fourth quarter. The Markit/CIPS Construction PMI™ surged from 59.4 in October to 62.6 in November, its highest since August 2007. The PMI suggests that construction output growth could be as strong as 3.0% in the fourth quarter.

The survey data indicate that house building is growing at the fastest rate for ten years, providing a much needed boost to the sector after government stimulus measures have buoyed the market. However, this is not just a housing market upturn. Both commercial, including industrial, office and retail developments, and civil engineering construction activity have also been growing at the fastest rates for six years in recent months.

However, despite the sector having grown 10.6% since the low point seen in September of last year, the overall level of output remains 4.4% below the recent peak seen in mid-2011 and over 10.0% down on its pre-crisis peak.

### Construction industry output



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