

# United Kingdom

## PMI signals steep increase in housing starts

- **PMI data signal 45k housing starts in Q3, highest level of activity since early 2008**
- **Growth momentum building into Q4**

The House Building Activity Index from the UK Markit/CIPS construction industry PMI survey acts as a reliable advance indicator of housing starts. The index is currently signalling that approximately 45,000 new homes were started in the third quarter, bringing levels back to those not seen since 2007.

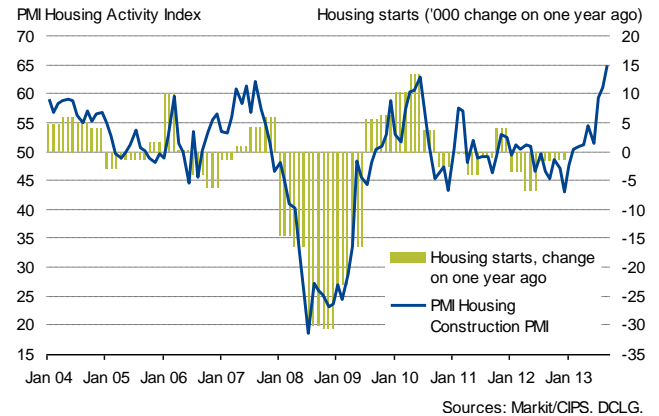
The government's Department for Communities and Local Government produce [data on house building](#), but the data are issued only quarterly and subject to a significantly delay in publication. UK data are only currently available up to the fourth quarter of 2012, though data for England are produced more promptly.

The construction PMI survey tracks total building industry activity, but also breaks activity down into three broad categories: house building, commercial activity and civil engineering. At present, the survey is signalling that a strong expansion in the construction industry is being led by a surge in house building. The Housing Activity Index rose to 64.8 in September, its highest since November 2003. At 61.7, the average for the third quarter as a whole was the highest since the final quarter of 2003, up sharply from 52.4 in the three months to June and 49.6 in the first quarter (note that any reading below 50 signals a decline).

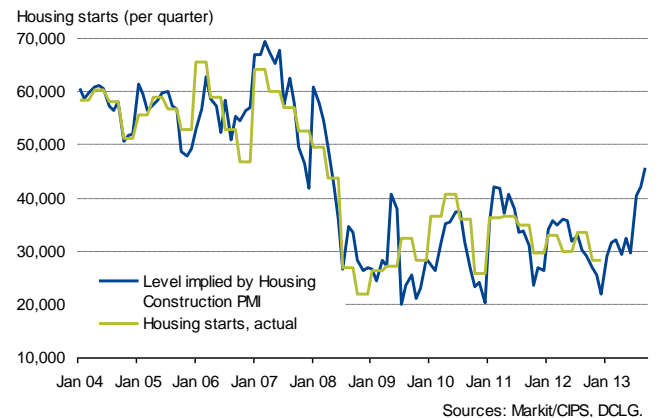
A simple comparison of the PMI against the rate of change in the official data on new housing starts shows a close relationship (see first chart, which illustrates an 85% correlation since the start of 2004). Over the third quarter, the PMI has signalled growth of 12,000 on a year ago, taking the number of new homes being built to 45,000. The PMI data therefore indicate that house building has returned to levels not seen since early 2008, running at an annual rate of approximately 180,000.

Note also that growth accelerated throughout the third quarter, suggesting strong building momentum as we move into the fourth quarter.

### Housing starts – growth



### Housing starts – levels



Whether this pace can be sustained, or even increase to the levels in excess of 200,000 seen in the years leading up to the financial crisis, is perhaps less dependent on demand for new housing, which has clearly surged in recent months, but more on the speed with which planning applications can be passed and land can become available.

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