

# United Kingdom

## Revised official data adds to signs of recovering construction sector

- **UK construction sector growth revised up to 0.2% after initial estimate of 0.3% decline**
- **PMI survey data point to further improvement in official data**

Rather than contracting 0.3%, as initially thought, the construction industry grew 0.2% in the final quarter of last year, according to the latest estimates from the Office for National Statistics. Output jumped 2.0% in December.

The initial estimated fourth quarter decline was always way out of line with the signals from rampant business surveys, which had shown construction activity surging at its fastest rate since 2007 in the latter half of last year. Survey respondents have reported that activity has been boosted by especially strong growth of house building, reflecting the Funding for Lending and Help to Buy schemes, while increased investment by the corporate sector has also buoyed commercial construction.

The survey data therefore suggest that the official data will be revised still higher, adding to the growing welter of evidence to suggest that the economy is enjoying a strong and broad-based recovery.

In the detail, the official data indicate that new construction work rose 0.7% in the final quarter of last year but repair and maintenance fell 0.5%. Infrastructure spending rose 1.3% for a second successive quarter, while public sector house building jumped 10.5%, accompanied by a 4.5% rise in the private sector. However, other public sector new work fell 3.8%, while private industrial and commercial new work slumped 4.9% and 2.1% respectively. Both the latter falls look particularly surprising given the strength of survey data and other signs that the economy is firing on all cylinders at the moment.

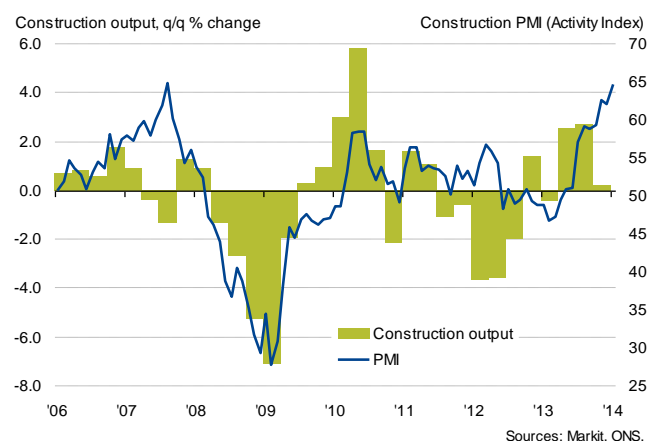
To put the divergence between the official data and the survey evidence in context, the [survey data are consistent with growth of well over 2% in the fourth quarter](#). We therefore suspect there is plenty of scope for this 0.2% growth figure to eventually be revised higher.

The PMI is signalling further strong growth in January, which bodes well for a further meaningful contribution from the sector to GDP at the start of the year. While wet weather in many parts of the country may have disrupted building projects, reconstruction activity after the storms should boost the sector again.

The ONS report that output of the sector has now risen for three consecutive quarters, which represents the longest period of consistent growth since 2010. Output had risen some 2.5% in the second quarter and 2.6% in the third quarter. Not surprisingly a 4.0% fall in public sector spending on construction, reflecting ongoing government spending cuts, partially offset a 3.4% rise in the private sector over 2013 as a whole.

As for GDP, the initial estimate of 0.7% for the fourth quarter is unaffected by the upward revision to construction output, because the sector only accounts for 6.3% of total output of the economy.

### Construction output and the PMI



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