

United Kingdom

Construction ends best quarter since 2007 despite growth cooling in December

- **Construction growth eases in December, but sector still enjoys second best month since mid-2007**
- **House builders end best quarter for ten years, while commercial and civil engineering see best quarters since mid-2007**
- **Job creation running at one of the fastest rates since 2007**

The construction industry enjoyed another month of strong growth in December, according to PMI™ survey respondents. The sector consequently looks to have provided a major boost to the UK economy in the final quarter of 2013, with output and jobs growing at some of the fastest rates for just over six years.

The upturn is also broad-based within the construction sector, as levels of housing, commercial and civil engineering activity all rising sharply.

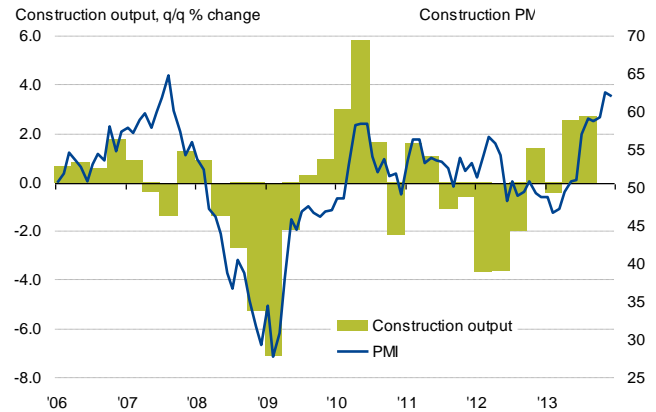
Building boom

Although the Markit/CIPS UK Construction PMI™ fell from 62.6 in November to 62.1 in December, the decline merely signalled a modest easing in the rate of expansion from the surging pace of growth. November's reading had been the highest since August 2007.

The upturn means the building sector should provide an even greater boost to the economy than the 2.7% expansion of the sector seen in the third quarter, according to official data (an expansion that was recently revised up from a prior estimate of 1.8%). At 61.4, the average reading for the fourth quarter is the highest since the third quarter of 2007 and indicates that the sector is consistent with quarterly growth of approximately 3.0%.

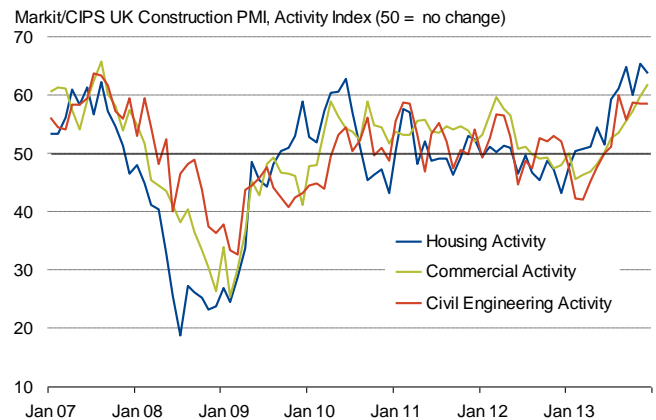
The slowing in the construction sector matched a similar easing in the manufacturing PMI survey in December, though both surveys remained at elevated levels and were consistent with the economy as a whole picking up further momentum from the 0.8% quarterly pace of growth seen in the third quarter.

Construction industry output



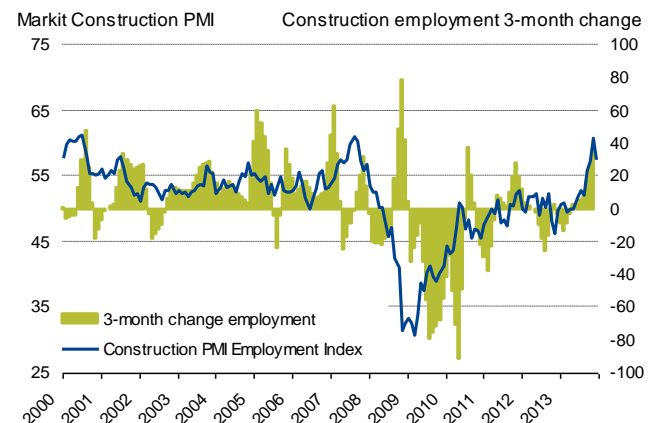
Source: Markit, CIPS, EcoWin.

Construction subsectors – output



Source: Markit, CIPS.

Employment



Source: Markit, CIPS, EcoWin.

House building running at ten-year high

December PMI data showed the construction sector upturn continuing to be led by house building, growth of which slowed slightly from November, but continued to run at a rate not seen for ten years. Historical comparisons with official data suggest that the PMI Housing Activity Index is signalling a rise of 40,000 in the number of homes being built in the fourth quarter, up sharply from the post-crisis low of just over 28,000 seen at the end of last year. By comparison, house building averaged over 55,000 per quarter in the four years prior to the onset of the financial crisis.

Commercial sector uplift

Although the housing sector saw the strongest growth, the only subsector to see an upturn in the rate of expansion in December was commercial building, which showed the largest monthly rise since August 2007. This category, which includes industrial, office and retail developments, has now grown for seven successive months.

This sustained and accelerated growth pointed to increasing investment in property by companies, which is in itself an encouraging picture of the economic recovery becoming more entrenched.

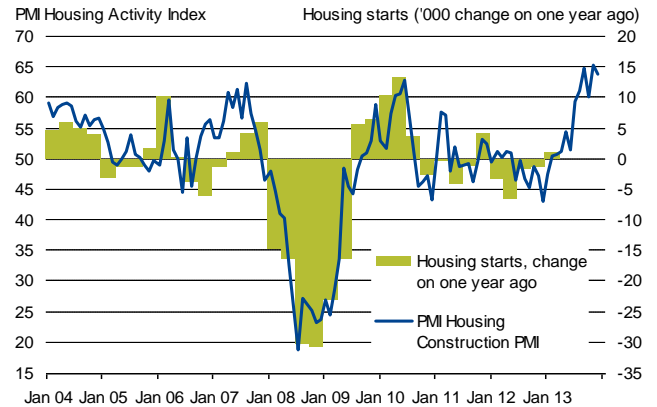
Civil engineering growth at six-year peak

Meanwhile, the survey also showed civil engineering to have grown at a robust pace again in December, the rate of expansion remaining unchanged from November and finishing off the best quarter since mid-2007. Rising civil engineering activity pointed to growing infrastructure spending and, like the increase in commercial activity, provides welcome news on the increasingly broad-based nature of the economic upturn.

Hiring surge

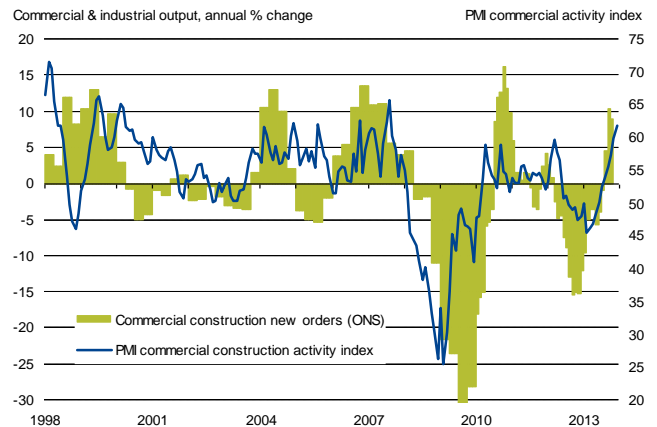
The construction upturn also continued to generate new jobs. Although the rate of employment growth eased compared with November (which had seen the largest monthly jump in staffing levels since August 2007), the employment picture remained buoyant. The PMI data are broadly consistent of at least 30,000 jobs being created in the fourth quarter.

Housing starts



Source: Markit, CIPS, EcoWin.

Commercial construction



Source: Markit, CIPS, EcoWin.

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