

# United Kingdom

## Official data show construction sector failing to benefit from economic upturn

- **Construction output flat in July after also stagnating in Q2**
- **Sector's malaise contrasts with strong growth in rest of economy**
- **Stronger order inflows and upbeat business surveys suggest data may be revised higher**

The UK construction industry is continuing to stagnate, according to official data, contrasting markedly with upbeat business survey data which show the sector to be booming.

Data from the Office for National Statistics on the UK construction industry showed no growth of output in July. That left output just 2.6% higher than a year ago, the weakest annual increase since November of last year.

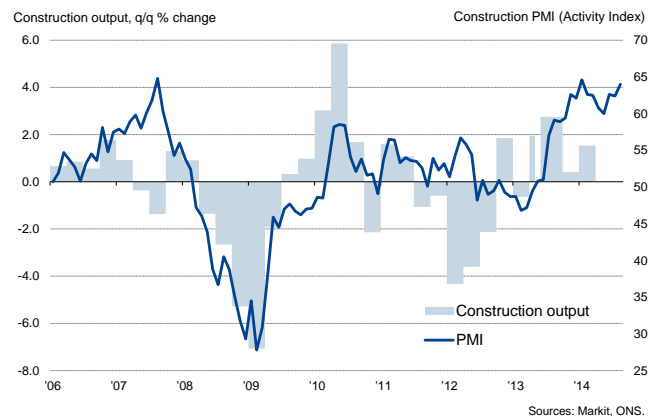
The disappointment comes after the official data showed the industry to have also recorded no growth in the second quarter of the year.

### Divergent trends within the industry

In the detail, however, there was a more encouraging picture of robust growth in some sectors, and notably not just in the housing market. According to the ONS, infrastructure construction rose 3.3% and private commercial building was up 1.0%. House building meanwhile increased by 0.8%. But these gains were all offset by a 4.1% drop in non-housing repair and maintenance.

Despite these glimmers of growth in some sectors, the overall picture from the ONS is one of a construction industry that is struggling as a whole to eke out any growth whatsoever. This seems odd, given that the rest of the economy is undergoing a period of very strong growth (GDP rose 0.8% in both the first and second quarters of the year, and had also been growing strongly late last year). A lack of construction also seems unusual given the recent upturn in the housing market and generally high business confidence about the economic outlook.

### UK construction: official and survey data compared



The official output data also sit in marked contrast to the survey data. The Markit/CIPS PMI shows the construction sector to have been booming throughout the year to date, fuelled by rising house building, civil engineering and commercial building alike. Growth even picked up in August to a near-record pace.

There is also a more positive picture from separate data from the ONS showing new orders to have increased by 3.8% in the second quarter, led by a remarkable 20.8% surge in infrastructure orders, alongside a 9.6% rise in private commercial orders and a 7.3% jump in public new housing.

The signals from the survey and order book data therefore suggest construction has fared better than the official output data would have us believe over the summer, and that upward revisions to the data are possible. This would mean GDP could get revised up, adding to the argument for interest rates to rise.

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