

United Kingdom

Construction hiring hits new record as boom rolls on into July

- Construction activity continues to surge as housing activity growth reaches fastest since late-2003
- Survey-record increase in employment
- Subcontractor pay rates and materials prices show steep rises

Surging growth of new business encouraged constructors to take on a record number of extra staff in July, according to PMI™ data. Alongside upbeat [manufacturing PMI](#) numbers, the data add to signs that the UK is enjoy another period of strong economic growth in the third quarter.

However, the survey also fires some warning shots in relation to inflation. Rates charged by subcontractors are rising at a near-record pace and prices paid for construction materials are also increasing sharply.

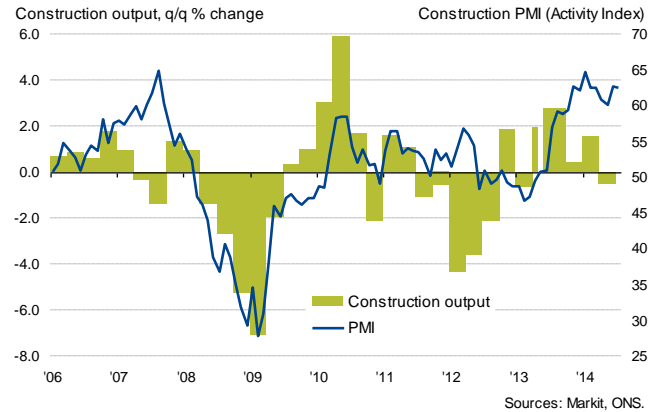
Construction still booming at start of Q3

The Markit/CIPS Construction PMI™ edged lower from 62.6 in June to 62.4 in July, signalling only a very marginal easing in the rate of growth of building activity. The PMI has remained elevated since last summer and has so far shown construction to be enjoying its best year of growth since 1997.

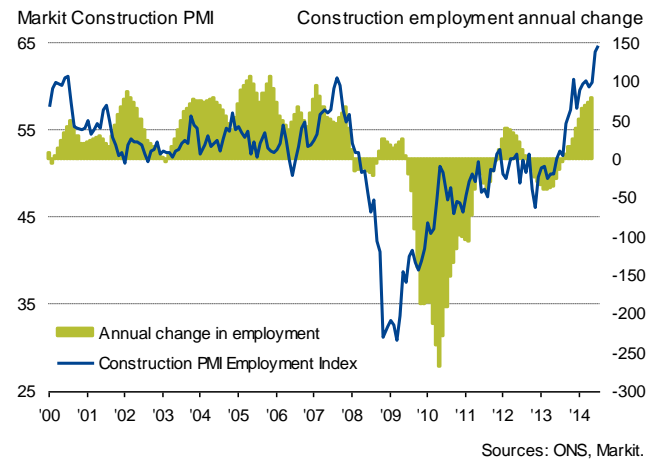
A near-record surge in house building activity led the overall upturn of the construction sector in July, but this is by no means an upturn that is limited to the residential sectors. Historically strong growth rates were also seen for commercial activity, such as the building of offices, shops, factories and industrial units, as well as civil engineering activity. The average PMI reading for the latter in the year to date was the highest ever recorded by the survey. Housing activity has so far seen its best year since 1997 while commercial activity has recorded the strongest growth for 14 years.

Building activity is being fueled by surging demand for new construction projects. New orders in the industry continued to rise in July at a rate rarely exceeded in the survey's 17-year history, suggesting there is a

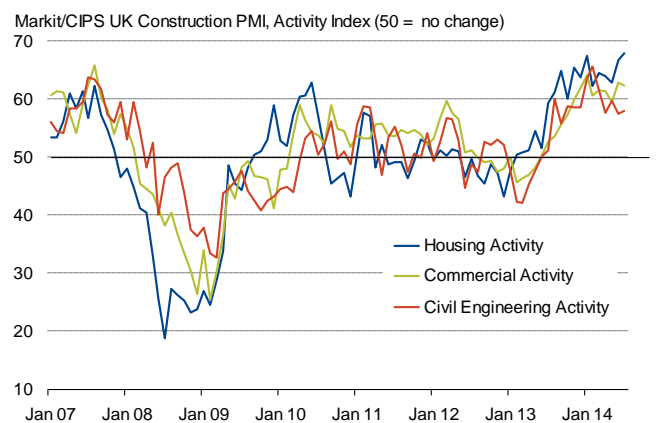
UK construction: official and survey data



Employment



Construction sectors



strong pipeline of work to sustain further robust activity growth in coming months. Firms' expectations about future activity levels also rose higher again in July, pointing to widespread optimism about the outlook.

Record employment growth

A promising outlook and overstretched existing workforces prompted construction companies to take on staff at a pace never before seen in the survey's history, beating June's previous record job surge. The sector's PMI Employment Index rose from 64.0 in June to 64.7.

Subcontractors command higher pay

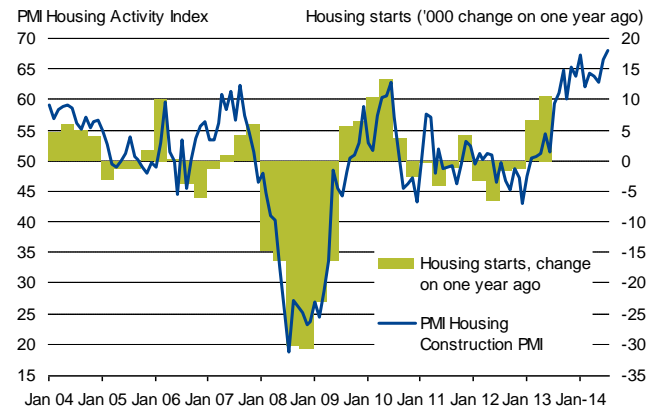
The upturn in building activity has also led construction firms to increase their use of subcontractors in recent months, although shortages of suitable subcontractors has led to construction firms having to face sharp increases in subcontractor pay rates. The availability of subcontractors deteriorated in July to one of the greatest extents seen in the survey's history. While subcontractor pay growth moderated very slightly in July, it continued to rise at a rate exceeding anything seen in the survey's history prior to this year.

Shortages drive up raw material prices

It's not just shortages of staff that are causing construction firms' costs to rise. Dwindling availability of construction materials, especially bricks, is feeding through to higher prices in many cases.

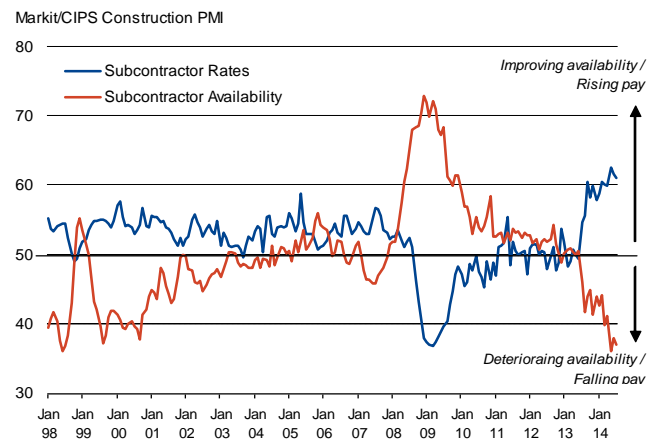
Delivery times for materials from suppliers lengthened markedly again in July, and have shown the greatest deterioration ever seen by the survey in recent months.

UK housing starts: growth



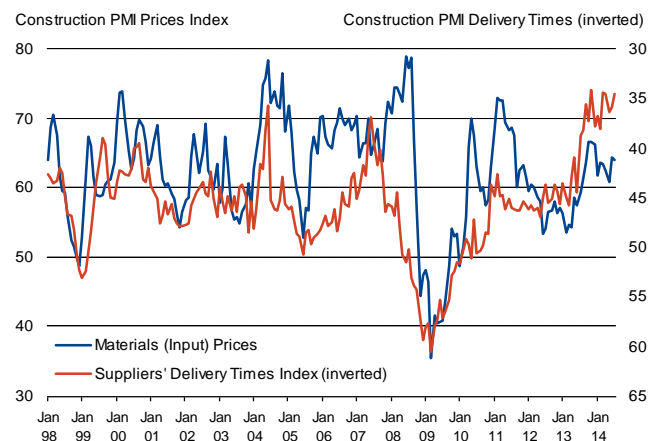
Sources: Markit/CIPS, DCLG.

Rates paid for subcontractors



Sources: Markit/CIPS.

Material prices and delivery delays*



* The Suppliers' Delivery Times Index measures the average time taken to provide materials to construction firms. A lower reading signals more delays/deteriorating performance, and hence means suppliers are busier, which in turn means prices can often be raised. The Delivery Times index is inverted in the chart.

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