

United Kingdom

Construction output revisions retell history but add to Q4 growth hopes

- **Construction output rises 0.2% in October**
- **Data revisions back to the start of 2014 include major alterations to growth path**

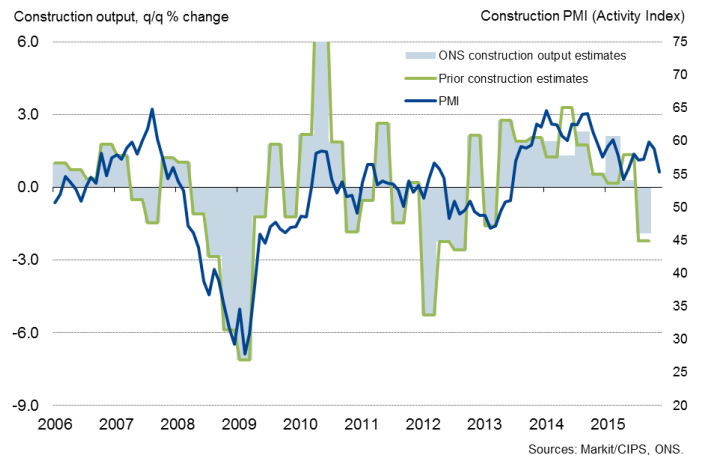
UK construction saw a return to growth at the start of the fourth quarter, according to official estimates, though the pace of expansion remains surprisingly weak. The numbers also need to be treated with caution due to the potential for large revisions.

Data from the Office for National Statistics showed output rising 0.2% in October compared to September, up 1.0% on a year ago. The improvement suggests the building sector will have a positive contribution to GDP in the fourth quarter, after having acted as a substantial drag in the third quarter. The ONS estimates output to have slumped 1.9% in the three months to September, led by a 5.6% plunge in housebuilding. The 1.9% decline is slightly better than the prior estimate of 2.2%, but not a big enough change to materially affect the current 0.5% GDP estimate.

The October upturn goes some way to bringing the recent official data more into line with the Markit/CIPS PMI data, which have shown the construction sector enjoying a good year so far in 2015, albeit with the rate of expansion cooling in recent months, led by a slowing in growth of housebuilding*.

The official construction data are notoriously volatile and prone to revision, so we treat the numbers with due caution. Data for the second quarter, for example, have been revised to show just 0.3% growth compared to a prior estimate of 1.4% (pulling GDP down by 0.06%). Data for the first quarter now show a 2.1% leap in production (pulling up GDP by 0.11%) whereas before the sector was estimated to have only eked out 0.2% growth. The data are nevertheless important because they are used in the calculation of GDP. The 0.2% rise in production in October adds to the recent data flow which suggests the economy is on course to expand by 0.6% in the fourth quarter.

UK construction: official and survey data compared



** This slowing may in turn prove to be only temporary, as there seems to have been some volatility due to the general election: housebuilding slowed in the lead up to the election, then recovered strongly afterwards as backlogs of work were cleared and has then eased off again.*

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