

United Kingdom

Construction sector sees near-record upturn across all sub-sectors

- **Construction activity rises at fastest rate since August 2007**
- **House building, commercial activity and civil engineering all see near-record growth rates**
- **Business expectations point to further rapid growth in coming months**

The construction industry opened 2014 with its best month for almost six-and-a-half years, according to PMI™ data for January, despite some parts of the country seeing record rainfall.

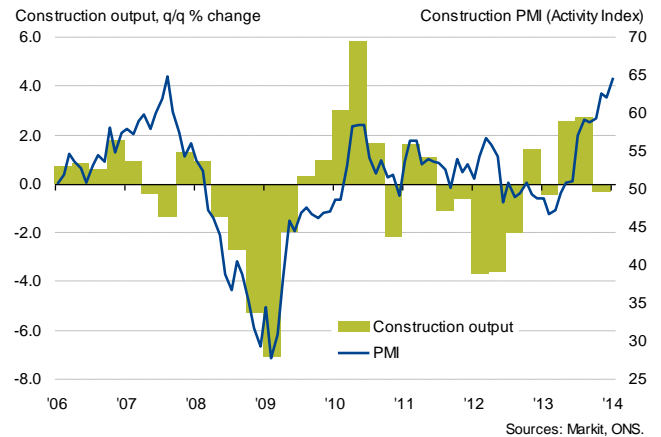
The Markit/CIPS Construction PMI™ rose from 62.1 in December to 64.6, its highest since August 2007 and signalling one of the strongest growth rates seen since survey data were first collected in 1997.

The latest PMI reading is indicative of the construction sector growing at a quarterly rate of approximately 4%. The strong survey data therefore suggest that the surprise 0.3% fall in construction output indicated by official data in the fourth quarter merely represents a blip in an otherwise buoyant upward trend, with the data possibly having been affected by adverse weather. The stronger PMI data in the fourth quarter also suggest that the official data may eventually be revised higher, meaning the 0.7% expansion of GDP seen in the fourth quarter could also be nudged higher, more in line with the PMI (which had indicated GDP growth of 1.0%).

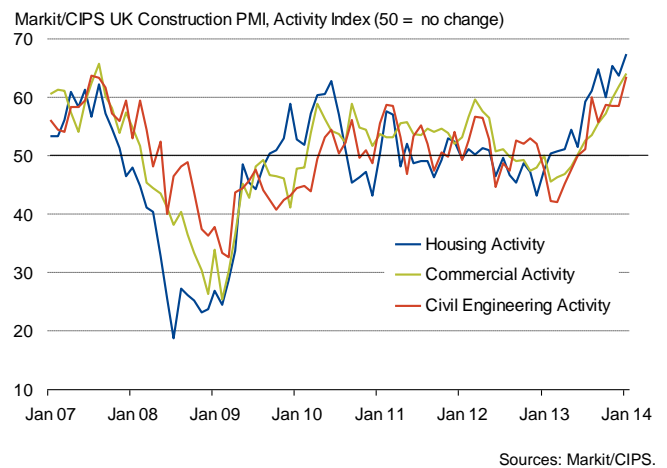
Business investment in fixed assets rising

The upturn was again led by house building, which increased for the twelfth successive month, but surging growth was also recorded for commercial construction and civil engineering. The rise of the latter two activities points to increased spending by business on infrastructure, office space, industrial units and retail outlets. The survey therefore adds to recent evidence from the manufacturing PMI survey that [business investment is currently growing strongly](#), which in turn bodes well for a more sustainable and healthy economic recovery. Orders for investment goods are recently showing the strongest growth for two decades.

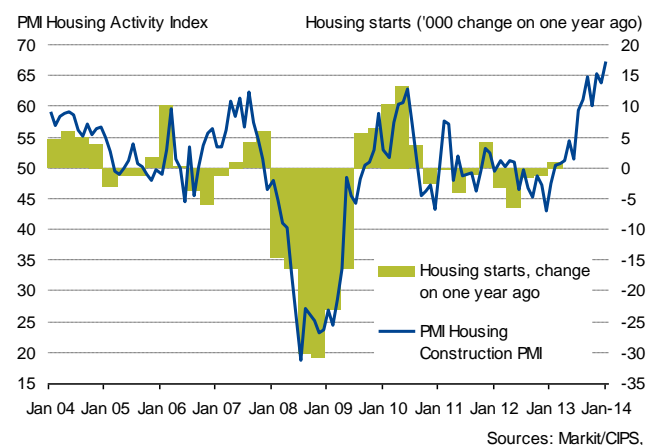
UK construction: official and survey data



Construction sectors



UK housing starts



Housing surge

The increase in house building is also a welcome development, as the provision of more homes will in theory help to balance supply with demand. House building in fact showed the largest rise since November 2003, growing at a rate that has only been exceeded in three months over the survey's near-17-year history. The latest data are roughly consistent with house building growing by over 1,000 per month, which we estimate would take the monthly total to around 4,000 (an annualised rate of 48,000).

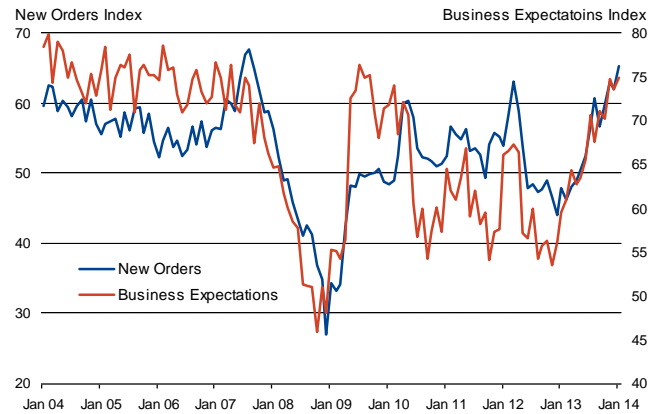
While house building has now been rising for a full year, commercial building and civil engineering only started recovering in earnest last summer. However, growth of both has accelerated sharply. The January survey showed the largest increase in commercial activity since August 2007 while civil engineering enjoyed the strongest increase since July of that year. Like house building, both are rising at rates rarely seen in the survey's history.

Improved confidence about the year ahead

The surveys also points to growth being sustained at a strong pace in coming months. Construction firms' expectations about the year ahead hit their highest since September 2009, and inflows of new work rose at the fastest pace since August 2007.

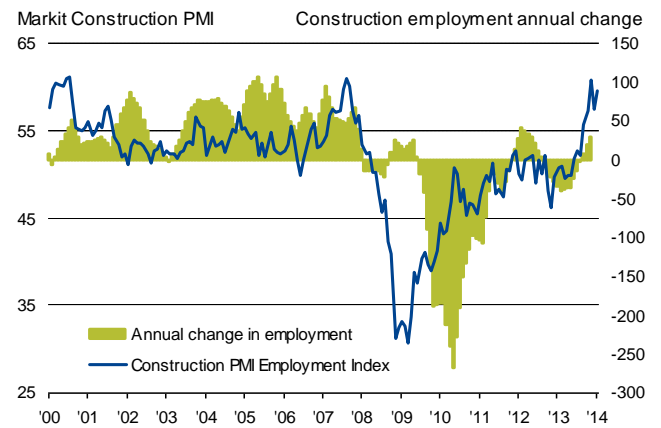
The upturn in demand for construction work and the brighter outlook prompted firms to take on extra staff for an eighth successive month, with the rate of job creation edging back closer to November's near-record high.

Confidence in the construction sector



Source: Markit.

Employment



Sources: ONS, Markit.

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