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## IHS MARKIT / CIPS UK CONSTRUCTION PMI®

### Sharpest rise in construction output since December 2018

#### KEY FINDINGS

Housing and commercial work underpin rebound in activity

New orders increase at fastest pace since December 2015

Staffing levels close to stabilisation in February

UK construction companies signalled a return to business activity growth during February, following a nine-month period of declining workloads. The latest survey also pointed to the sharpest rise in new orders since December 2015. Anecdotal evidence mainly linked the recovery to a post-election improvement in business confidence and pent-up demand for new projects.

At 52.6 in February, up from 48.4 in January, the headline seasonally adjusted IHS Markit/CIPS UK Construction Total Activity Index registered above the 50.0 no-change value for the first time since April 2019. Moreover, the latest reading signalled that the overall rate of construction output growth was the fastest for 14 months.

Survey respondents noted that improved demand had translated into higher levels of business activity in February, particularly in the housing and commercial sub-sectors. There were some reports, however, that severe weather conditions had led to delays on site and acted as a brake on growth.

Residential activity remained the best-performing construction category. Latest data signalled the strongest expansion of house building activity since July 2018.

Commercial work also returned to growth in February, with the sub-sector posting its fastest increase in business activity since November 2018. In contrast to the overall trend for construction output, civil engineering activity fell

Total Activity Index  
sa, >50 = growth since previous month



Source: IHS Markit / CIPS.

again during February. However, the rate of decline was only marginal and the least marked for 13 months.

February data pointed to a strong recovery in new order intakes across the construction sector. The increase in new work was the steepest recorded for just over four years. Survey respondents widely commented on greater tender opportunities and the release of spending that had been delayed in the run up to Brexit. There were also reports citing a boost from increased infrastructure contract awards, including those related to HS2.

Higher levels of incoming new work helped to stabilise employment numbers across the construction sector in February. At the same time, demand for sub-contractors picked up for the second month running and to the greatest extent since December 2018.

Purchasing activity returned to growth in February, which mirrored the trend seen for construction output levels. Stronger demand for inputs placed additional pressure on supply chains, with lead times lengthening to the greatest extent since last October. However, latest data indicated a slowdown in overall cost inflation since January.

Construction firms are upbeat about their growth prospects for the next 12 months. The degree of optimism eased since January, but remained much stronger than seen in the second half of 2019.

## COMMENT

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Tim Moore, Economics Director at IHS Markit, which compiles the survey:

*"February's survey data adds to signs that the UK construction sector has started to rebound after a downturn through the second half of last year. Growth of business activity was stronger than at any time since the end of 2018, supported by the fastest rise in new orders for just over four years. Some construction firms suggested that the recovery in output would have been even stronger had there not been disruptions on site from severe weather conditions in February.*

*"There were widespread reports that pent-up demand released since the general election had helped to boost workloads, especially in relation to house building and commercial construction projects. Civil engineering activity moved another step closer to stabilisation in February. A number of survey respondents commented that contract awards from HS2 and other major transport projects had the potential to boost infrastructure work at their businesses in the year ahead.*

*"While construction order books have begun to recover in the opening part of 2020, the fly in the ointment is the uncertain impact of the coronavirus outbreak on UK economic growth prospects. A renewed slowdown could see domestic investment spending put back on hold and dampen the outlook for the UK construction sector."*

Duncan Brock, Group Director at the Chartered Institute of Procurement & Supply:

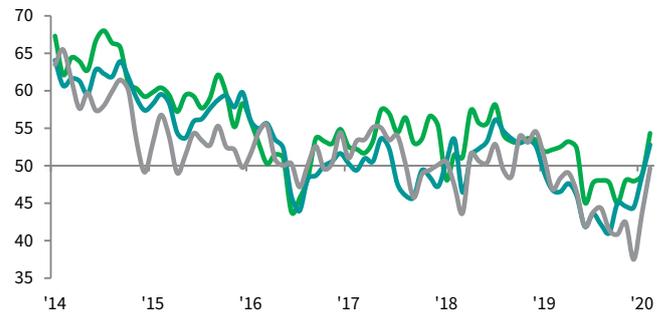
*"After a sustained period of contraction in construction last year, the resurgence in levels of new work at the fastest rate since December 2015 was a surprising but much-needed development for a sector that was on its knees. As the blocks of December's election and Brexit uncertainty were largely removed, it was the residential sector that was the main winner with the fastest escalation in housebuilding since July 2018.*

*"Purchasing levels rose at their fastest rate for over a year across the construction sector meaning unprepared suppliers bore the brunt of the upsurge. Their performance deteriorated again this month as delivery times and stocks of raw materials came under pressure.*

*"Should there be another sudden rise in purchasing activity in March, we are likely to see more challenges in supply chains, until suppliers have a chance to catch up. Given the slowdown in the global economy and potential coronavirus impacts, the sector could struggle to maintain February's strong performance and may experience slower progress as we head into spring."*

Activity Index by construction category  
 Housing / Commercial / Civil Engineering

sa, >50 = growth since previous month



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Methodology

The IHS Markit /CIPS UK Construction PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 150 construction companies. The panel is stratified by company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Total Activity Index. This is a diffusion index that tracks changes in the total volume of construction activity compared with one month previously. The Total Activity Index is comparable to the Manufacturing Output Index and Services Business Activity Index. It may be referred to as the 'Construction PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

February data were collected 12-27 February 2020.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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