

Embargoed until 0930 BST (0830 UTC) 6 September 2021

IHS Markit / CIPS UK Construction PMI®

Construction activity rises at softest pace since February

Key findings

New order growth eases to five-month low

All three monitored segments record softer rises in activity

Second-fastest rise in input prices amid severe supply chain disruption

Data were collected 12-27 August 2021.

UK construction companies signalled a further increase in output volumes during August, however the pace of growth eased notably from the previous survey period. There were softer expansions across housebuilding, commercial work and civil engineering activity as well as in new order growth. Moreover, companies widely noted sustained, and severe, supply chain disruption in August, which contributed to an accelerated rise in input prices, and one that was the second sharpest in the history of the survey.

The headline seasonally adjusted IHS Markit/CIPS UK Construction PMI® Total Activity Index posted 55.2 in August, down from 58.7 in July, indicating activity has expanded in each of the last seven months. That said, the rate of increase eased to the softest since February as restricted supply of materials and transport began to weigh on overall construction activity.

Commercial work (index at 56.0) was the best performing broad category of construction output in August, though the rate of expansion eased to the slowest for six months. This was followed closely by housebuilding (55.0), while civil engineering remained the slowest growing subsector (54.8) for the fourth month in a row.

Total new work increased for the fifteenth consecutive month in August. While the latest improvement in order books was marked overall, the rate of growth softened to the weakest since March. Businesses noted a continued resumption of projects that had been delayed due to Brexit and the COVID-19 pandemic, though client confidence was dampened by volatility in raw material supplies and increased cost burdens.

IHS Markit / CIPS UK Construction PMI Total Activity Index

sa, >50 = growth since previous month



Sources: IHS Markit, CIPS.

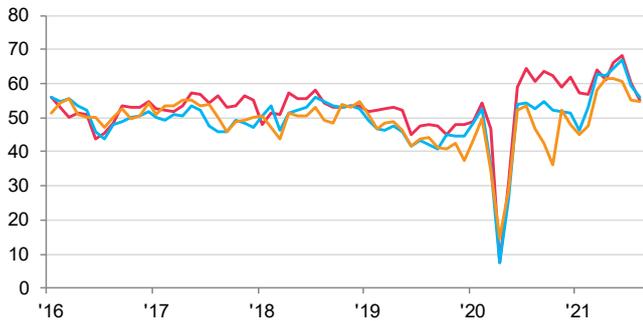
Amid softer growth in new orders, the rate of job creation eased to a four-month low in the latest survey period. Firms continued to note that strong market conditions had sustained demand for new employees, though additional cost burdens and a lack of skilled workers began to weigh on the rate of hiring.

Input buying expanded at the slowest pace since January. Strong rises in demand for construction materials continued to stretch supply chains however, as some firms noted difficulty in sourcing and receiving purchased inputs. This occurred as supplier delivery times continued to lengthen at a substantial rate, though one that was slightly improved from June's record deterioration. Anecdotal evidence suggested that ongoing material shortages were exacerbated by a lack of transport and freight availability, compounding existing issues related to the supply of materials due to port congestions and demand and supply imbalances.

As a result, input cost inflation accelerated to the second-fastest rate in the 24-year history of the survey, surpassed only by the record rise two months prior. Among those materials reported as up in price, the most common were concrete, fuel steel and timber.

Looking ahead, construction companies remained highly upbeat about their growth prospects over the coming 12 months. Positive sentiment was underpinned by hopes of an expected rise in new contract awards across all subsectors of construction.

Activity Index by sector Residential / Commercial / Civil Engineering
sa, >50 = growth since previous month



Sources: IHS Markit, CIPS.

UK Construction PMI Employment Index
sa, >50 = growth since previous month



Sources: IHS Markit, CIPS.

Comment

Usamah Bhatti, Economist at IHS Markit, which compiles the survey said:

"Evidence that the UK construction sector began to feel the impact of ongoing supply chain disruption was widespread midway through the third quarter of 2021. Growth rates for overall activity as well as the three monitored subsectors eased further from the recent highs earlier in the summer. Similarly, new business inflows have continued to increase at a marked pace, yet even here the rate of growth has eased to a five-month low.

"Supply chain disruption continued to disrupt activity across the UK construction sector, as demand for materials and logistics capacity outstripped supply. Average vendor performance continued to deteriorate at a near-survey record rate, as firms noted severe shortages of building materials, a lack of available transport capacity and long wait times for items from abroad due to port congestion.

"As a result, the rate of input cost inflation faced by construction companies accelerated to the second-fastest on record, while the increase in subcontractor rates hit a fresh series high, fuelled by supply shortfalls in the sector. Despite this, businesses noted a stronger degree of optimism regarding the year-ahead outlook, as more than half of survey respondents predicted a rise in activity. This was underpinned by expectations that new contracts would be brought to tender across the construction sector as markets continued to recover from the economic disruption caused by the pandemic."

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

"Formidable supply chain pressures restrained purchasing activity and building projects across the board in August as 68% of construction companies reported even longer delivery times for materials compared to July. A combination of ongoing covid restrictions, Brexit delays and shipping hold-ups were responsible as builders were unable to complete some of the pipelines of work knocking on their door.

"Material and staff costs went through the roof as job hiring accelerated to fill the gaps in capacity left behind by employee moves, overseas worker availability and brought on by skills shortages. Paying higher wages for experienced staff along with low stocks of materials at suppliers meant inflationary pressure rose at a rate almost on a par with June's survey record. 84% of supply chain managers reported paying more for their purchases.

"These obstacles to construction's progress are set to continue and are now affecting last year's strongest performer – house building, which will exacerbate the problem of housing supply. However optimism improved on last month as more than half of building firms believe that output will continue to rise in the year ahead."

UK Construction PMI Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Sources: IHS Markit, CIPS.

UK Construction PMI Input Prices Index

sa, >50 = inflation since previous month



Sources: IHS Markit, CIPS.

Contact

Joanna Vickers
Corporate Communications
IHS Markit
T: +44-207-260-2234
joanna.vickers@ihsmarkit.com

Trudy Salandiak
Corporate Communications
CIPS
T: +44-1780-761576
trudy.salandiak@cips.org

Survey methodology

The IHS Markit \ CIPS UK Construction PMI® is compiled by IHS Markit from responses to questionnaires sent to 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.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates and history

Data were collected 12-27 August 2021.

Data were first collected April 1997.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please contact joanna.vickers@ihsmarkit.com. To read our privacy policy, click [here](#).

About CIPS

The Chartered Institute of Procurement & Supply (CIPS) is the world's largest procurement and supply professional organisation. It is the worldwide centre of excellence on purchasing and supply management issues. CIPS has a global community of 200,000 in over 150 countries, including senior business people, high-ranking civil servants and leading academics. The activities of procurement and supply chain professionals have a major impact on the profitability and efficiency of all types of organisation and CIPS offers corporate solutions packages to improve business profitability. www.cips.org.

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. ihsmarkit.com/products/pmi.html.