

Embargoed until 0930 BST (0830 UTC) 4 June 2021

## IHS Markit / CIPS UK Construction PMI®

### New orders increase at the fastest rate since the survey began in April 1997

#### Key findings

Rapid rise in new business volumes continues during May

Output growth accelerates to its strongest since September 2014

Cost inflation hits fresh survey-record high

Data were collected 12-27 May 2021.

May PMI® data indicated that the UK construction sector remained on a strong recovery path, with output growth reaching its strongest since September 2014. Moreover, new order volumes increased at the fastest pace since the survey began just over 24 years ago.

Input cost inflation was also at a survey-record high during May, reflecting a surge in demand for construction materials and severe supply shortages.

At 64.2 in May, up from 61.6 in April, the seasonally adjusted IHS Markit/CIPS UK Construction PMI® Total Activity Index registered above the 50.0 no-change value for the fourth consecutive month and signalled the strongest rate of output growth for just under seven years.

House building (index at 66.3) was the best-performing category of construction activity in May, followed by commercial work (64.4). The latest increase in work on commercial projects was the steepest since August 2007, reflecting strong demand conditions following the reopening of customer-facing areas of the UK economy.

Civil engineering activity (index at 61.3) also increased sharply during May, although the pace of expansion eased slightly since the previous month.

The latest survey pointed to a rapid upturn in new business across the construction sector. Around 47% of the survey panel reported higher volumes of new work, while only 11% signalled a reduction. Construction companies attributed the surge in order books to strong demand for residential building work and high levels of confidence about the near-

IHS Markit / CIPS UK Construction PMI Total Activity Index  
sa, >50 = growth since previous month



Sources: IHS Markit, CIPS.

term economic outlook.

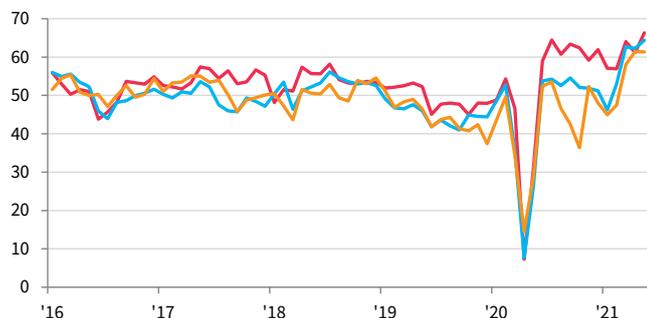
New project starts and a sustained recovery in construction workloads resulted in another marked rise in staffing numbers during May. The rate of job creation was the fastest since July 2014. Moreover, sub-contractor usage increased at a survey-record pace.

Mirroring the trend for order books, latest data indicated a steep upturn in purchasing activity across the construction sector. Some firms also noted that input buying had been boosted by efforts to build inventories in response to supply shortages.

Suppliers' delivery times lengthened sharply in May, with the downturn in vendor performance the second-steepest since the survey began (exceeded only by that seen in April 2020). Stretched supply chains and steep rises in raw material prices contributed to a rapid increase in average cost burdens. The overall rate of input price inflation was the highest in just over 24 years of data collection.

Construction companies remain highly upbeat about their growth prospects for the next 12 months. Around 61% of the survey panel predict a rise in business activity, while just 8% anticipate a decline. Positive sentiment was mostly attributed to resurgent customer demand, alongside optimism about the UK economic outlook following the successful vaccine roll out.

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

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

*"UK construction companies reported another month of rapid output growth amid a surge in residential work and the fastest rise in commercial building since August 2007. Total new orders increased at the strongest rate since the survey began more than two decades ago, but supply chains once again struggled to keep pace with the rebound in demand."*

*"There were widespread reports citing shortages of construction materials and wait times from suppliers lengthened considerably in comparison to those seen during April. Imbalanced supply and demand led to survey-record increases in both purchasing prices and rates charged by sub-contractors."*

*"Despite severe challenges with materials availability, construction firms remain highly upbeat about their near-term growth prospects. Nearly two-thirds of the survey panel forecast an increase in output during the year ahead, while only one-in-thirteen forecast a decline."*

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

*"The construction sector continued its expansion programme with a phenomenal acceleration in growth and the strongest for seven years as new orders filled in at the fastest rate for almost a quarter of a century."*

*"Residential work was back in the top spot as house building rose at the quickest pace since August 2014, serving as an antidote to the recent scarcity in housing for lets or buy, and driven by consumer demand and a boost from the stamp duty holiday."*

*"Busy purchasing managers were under pressure to keep up and buying up at the fastest rate since April 1997, changing sourcing strategies to find depleting essential materials and stocking up just as supply chain problems continued to mount along with prices. With inflation for goods and raw materials at a 24-year high, companies will be concerned that much-needed profits will be eaten away as building projects take shape and could be held up by some of the longest delivery times on record."*

*"Skills shortages are also becoming a problem, with recruiters finding talented labour hard to find, as job creation was at robust levels and the threat of staffing cutbacks has become a distant memory."*

### 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](mailto:joanna.vickers@ihsmarkit.com)

Trudy Salandiak  
Corporate Communications  
CIPS  
T: +44-1780-761576  
[trudy.salandiak@cips.org](mailto: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](mailto:economics@ihsmarkit.com).

#### Survey dates and history

Data were collected 12-27 May 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](mailto: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](http://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](http://ihsmarkit.com/products/pmi.html).