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## IHS MARKIT / CIPS UK CONSTRUCTION PMI®

### Survey-record decline in construction work amid site closures due to COVID-19 pandemic

#### KEY FINDINGS

Around 86% of the survey panel report a drop in activity since March

Rapid falls in all main areas of construction activity

New orders slump as clients freeze spending plans

April 2020 data were collected 7-29 April 2020.

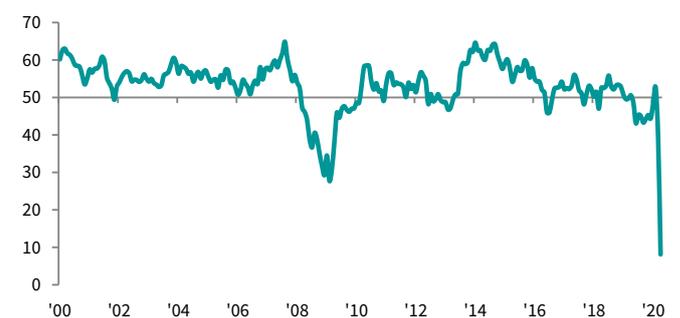
April data indicated by far the fastest decline in UK construction output since the survey began 23 years ago. The vast majority of survey respondents (86%) reported a reduction in business activity since March, reflecting widespread site closures and shutdowns across the supply chain in response to the public health emergency.

The headline seasonally adjusted IHS Markit/CIPS UK Construction Total Activity Index fell from 39.3 in March to 8.2 in April, to signal a rapid downturn in overall construction output. Moreover, the latest reading was the lowest since data were first collected in April 1997. The previous record low was 27.8 in February 2009.

All three main categories of construction work experienced a survey-record fall during April, with declines in house building (7.3) and commercial activity (7.7) exceeding that for civil engineering (14.6). Lower volumes of construction output were almost exclusively attributed to business closures in April, with survey respondents often commenting on complete stoppages of activity on site due to the coronavirus disease 2019 (COVID-19) pandemic.

April data also highlighted a severe impact on construction supply chains, with closures at builders merchants and stoppages of manufacturing production leading to widespread supply shortages.

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



Source: IHS Markit / CIPS.

The latest lengthening of average lead times for the delivery of construction products and materials was by far the steepest since the survey began in April 1997. Around three-quarters of the survey panel reported longer delivery times from suppliers during April, with a lack of availability for safety products also frequently reported by construction companies.

New business volumes fell at a rapid pace in April, with the downturn by far the steepest recorded in more than two decades of data collection. Construction companies commented on the suspension of contract awards due to business closures among clients, as well as uncertainty about the duration of stoppages on site and feasibility of starting new projects.

Meanwhile, construction firms reported that staffing had dropped sharply in April, with employees often placed on furlough until work on site could recommence with social distancing measures. The latest survey also indicated by far the steepest decline in sub-contractor usage in the survey history.

Business expectations for the year ahead dropped slightly since March and equalled the survey-record low seen in October 2008. Construction firms widely noted concerns beyond simply reopening sites, including cash flow difficulties across the supply chain, rising costs and severely reduced productivity.

## COMMENT

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

*"The rapid plunge in UK construction output during April stands out even in a month of record low PMI data for the manufacturing and service sectors. Widespread site closures and business shutdowns across the supply chain meant that vast swathes of the construction sector halted all activity in response to the COVID-19 pandemic.*

*"Around 86% of survey respondents reported a fall in business activity since March, while only 3% signalled an expansion. House building and commercial work were unsurprisingly the hardest hit, but civil engineering activity also fell at by far the fastest pace since the survey began in April 1997.*

*"A drop in construction activity of historic proportions in April looks set to be followed by a gradual reopening of sites in the coming weeks, subject to strict reviews of safety measures.*

*"However, the prospect of severe disruption across the supply chain will continue over the longer-term and widespread use of the government job retention scheme has been needed to cushion the impact on employment. Looking ahead, construction companies widely commented on worries about cash flow, rising operating costs and severely reduced productivity, as well as a slump in demand for new construction projects."*

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

*"April's figures delivered more worrying news for fragile construction businesses as the effects of the coronavirus continued to ripple across supply chains, devastating all productivity in its wake. Though a fall in output was not a complete surprise, the scale and suddenness of the drop has knocked the wind out of building work in the UK.*

*"More vulnerable than other sectors that make up the UK economy, construction was unable to continue in any significant capacity, as companies grappled with furloughed staff and building sites under complete shutdown.*

*"Only a few civil engineering and infrastructure projects were able to continue in April, but a tentative restart is expected in other areas such as house building and commercial construction in the short-term. As new plans from policymakers are developed over social distancing, building work may continue but not as we know it as restrictions and new safety rules are likely to make progress more difficult. For a sector still not fully recovered from the skills shortages created by the financial crisis in 2008, the vacuum of output created by the pandemic has knocked the sector back another decade."*

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.

April data were collected 7-29 April 2020.

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

About PMI

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