

# News Release

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## S&P Global / CIPS UK Construction PMI®

### Slowest new order growth so far in 2022 as rising costs and economic uncertainty hit demand

#### Key findings

Weakest rise in new work since December 2021

Total construction output expands at slower pace in April

Growth projections ease to lowest since September 2020

UK construction companies reported another strong rise in business activity during April, but the speed of recovery lost momentum amid weaker new order gains. Survey respondents noted that higher costs and worries about the economic outlook had started to act as a brake on demand.

Signs of a slowdown in client spending contributed to another drop in growth expectations, with the degree of optimism about future workloads the lowest since September 2020.

At 58.2 in April, down from 59.1 in March, the headline S&P Global / CIPS UK Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry activity – signalled the weakest rate of output growth since January. The index has nonetheless posted above the crucial 50.0 no-change mark in each month since February 2021.

Of the three main construction segments monitored by the survey, the fastest-growing remained commercial work (index at 60.5), followed by civil engineering (56.2). Construction firms cited pent up demand for commercial projects and spending related to COVID-19 recovery plans. Meanwhile, major infrastructure schemes such as HS2 were reported as factors helping to boost civil engineering activity.

Residential work remained the worst-performing sub-sector in April and saw the greatest loss of momentum (53.8 vs. 54.9 in March).

The near-term outlook for construction activity deteriorated in April as total new order volumes expanded at the slowest rate for four months. Escalating raw material prices and, in some cases, hesitancy due to higher borrowing costs and geopolitical uncertainty were reported as headwinds to demand.

While tender opportunities diminished in April, the need to deliver forthcoming projects and rebuild business capacity contributed to another round of job creation in April.

Construction Total Activity Index

sa, >50 = growth since previous month



Sources: S&P Global, CIPS.

Data were collected 11-28 April 2022.

Moreover, the rate of employment growth hit a three-month high.

A strong pipeline of construction projects and efforts to boost stocks where possible resulted in a steep rise in purchasing activity. Higher levels of input buying have been recorded in each month since June 2020.

Suppliers once again struggled to keep up with demand for construction products and materials. Around 45% of the survey panel reported longer lead times, while only 2% noted an improvement. The resulting index measuring suppliers' delivery times across the construction sector signalled a sharper downturn in performance than in the previous month.

Supply chain delays were attributed to shortages of staff, materials and transport, with these difficulties often exacerbated by delays at ports and the war in Ukraine.

Higher prices paid for energy, fuel and raw materials led to a steep increase in average cost burdens during April. Survey respondents also noted that the removal of red diesel subsidies had pushed up costs. The overall rate of purchasing price inflation accelerated to its fastest since September 2021.

Looking ahead, the percentage of construction companies forecasting an upturn in business activity during the next 12 months (43%) continued to surpass those expecting a fall (12%). The gap narrowed again in April, however, and as a result the Future Activity Index dropped to a 19-month low.

Construction companies cited risk aversion among clients and persistently high inflation due to energy price rises. There were also concerns about squeezed household incomes and rising borrowing costs.

## Comment

**Tim Moore, Economics Director at S&P Global, which compiles the survey said:**

"The construction sector is moving towards a more subdued recovery phase as sharply rising energy and raw material costs hit client budgets. House building saw the greatest loss of momentum in April, with the latest expansion in activity the weakest since September 2021. Commercial and civil engineering work were the most resilient segments, supported by COVID-19 recovery spending and major infrastructure projects respectively.

"Construction companies have built up strong order books since the reopening of the UK economy, which led to another round of rising employment in April and these project starts should keep the sector in expansion mode during the remainder of the second quarter.

"However, tender opportunities were less plentiful in April as rising inflation and higher borrowing costs started to bite. Consequently, longer-term growth projections have slumped from January's peak, with business optimism now the weakest since September 2020."

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

"A slowdown in output growth amongst builders in the UK has highlighted a number of issues to be concerned about including rising costs, shortages and a hesitancy amongst customers.

"New order levels rose at the slowest pace since the end of last year. There were fears around disrupted supplies as 45% of supply chain managers reported longer lead times. To counteract some of these challenges and with an eye on the future, supply chain managers were building stocks resulting in another sharp rise in purchasing activity.

"Inflation hit the highest rate since September 2021, impacted on budgets and made customers think twice about committing. Job creation grew quickly to complete work in hand, risking over-inflating capacity should new order growth slow further. With the Bank of England confirming the interest rate as the highest for 13 years, the squeeze on business lending also led to a relatively gloomy outlook amongst builders for the year ahead, with sentiment the lowest since September 2020."

■ Housing Activity Index ■ Civil Engineering Index  
■ Commercial Activity Index  
sa, >50 = growth since previous month



Source: S&P Global.

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## Survey methodology

The S&P Global / CIPS UK Construction PMI® is compiled by S&P Global 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 data were first collected April 1997.

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).

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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 60,000 members 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.

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## 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).

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