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## IHS Markit / CIPS UK Construction PMI®

### Output growth picks up in October, but widespread supply shortages persist

#### Key findings

Construction recovery accelerates from September's eight-month low

House building regains its place as best-performing category

Severe shortages of staff and materials continue in October

Data were collected 12-28 October 2021.

October data indicated that business activity gained speed across the UK construction sector, but growth remained much softer than the 24-year high seen in June. Construction companies continued to report widespread supply constraints and rapidly increasing purchase prices, although these trends were the least severe since April.

The headline seasonally adjusted IHS Markit/CIPS UK Construction PMI® Total Activity Index registered 54.6 in October, up from 52.6 in September, to signal a robust and accelerated rise in output volumes. This index has now posted above the crucial 50.0 no-change value in each of the past nine months and hit a peak of 66.3 in June.

House building (index at 55.4) replaced commercial work (55.2) as the best-performing category of construction work in October. The latest increase in residential work was the strongest for three months. Commercial construction also expanded at a quicker pace than in September, with survey respondents citing a sustained boost from looser pandemic restrictions. Meanwhile, civil engineering activity (51.4) increased only marginally in October.

New order growth was unchanged from September's eight-month low and much weaker than seen on average during the summer. Construction companies mostly commented on strong customer demand, but some suggested that supply shortages and escalating costs had hindered contract negotiations.

Resilient pipelines of new work were highlighted by a steep increase in purchasing activity across the construction sector

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



Sources: IHS Markit, CIPS.

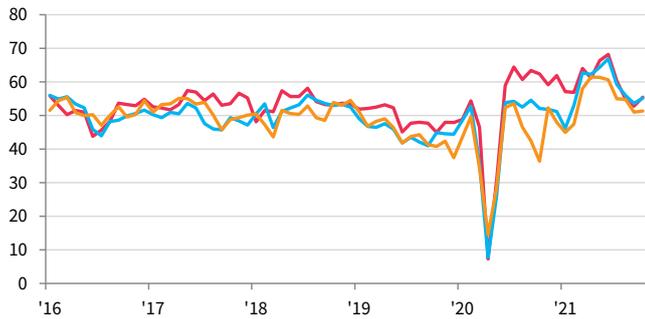
in October. The latest expansion was the fastest for three months and often reflected pre-purchasing ahead of new project starts. Employment numbers also increased at a sharp and accelerated pace in October.

More than half of the survey panel (54%) reported longer delivery times among suppliers in October, while only 2% saw an improvement. Delays were overwhelmingly linked to haulage driver shortages and international shipping congestion. However, the number of construction firms reporting longer wait times for supplier deliveries was down from 63% in September and a peak of 77% in June.

Mirroring the trend for supplier delays, latest data signalled another steep rise in input costs, but the rate of inflation slipped to a six-month low. Around 73% of the survey panel reported an increase in purchase prices in October, which was attributed to rising energy and commodity prices as well as raw material shortages and a lack of transport availability.

Finally, the near-term outlook for construction growth remained positive in October. Just over half (52%) forecast an increase in output during the year ahead, while only 8% expect a decline. The degree of optimism improved slightly since September, despite some firms citing concerns about the impact of supply shortages and sharply rising costs.

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, Director at IHS Markit, which compiles the survey said:

*"UK construction companies achieved a faster expansion of output volumes in October, despite headwinds from severe supply constraints and escalating costs. House building showed the most resilience, as signalled by the fastest rise in residential work for three months.*

*"However, the volatile price and supply environment added to business uncertainty and continued to impede contract negotiations. As a result, the overall rate of new order growth was unchanged from the eight-month low seen in September.*

*"There were widespread reports that shortages of materials and staff had disrupted work on site, while rising fuel and energy prices added to pressure on costs. Nonetheless, the worst phase of the supply crunch may have passed, as the number of construction firms citing supplier delays fell to 54% in October, down from 63% in September. Similarly, reports of rising purchasing costs continued to recede from the record highs seen this summer."*

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

*"Activity in the construction sector powered ahead in October with the fastest rise in purchasing for three months as builders continued their summer bounce into the autumn and resorted to forward buying and building stock levels.*

*"New order growth remained constant but increasing lead times from suppliers made commitment to contracted projects difficult because of the unpredictability of materials arriving on time as reported by over half of all supply chain managers. A slight moderation in input price inflation also gave hope to builders that price rises were receding, which could mean fewer delayed projects as costs were reviewed.*

*"With rising optimism and employment levels builders seem confident that the next 12 months will be rosier. However, with the squeeze on supply and staff shortages, its far from guaranteed that uncertainty and instability are behind us just yet."*

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.

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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 12-28 October 2021.

Data were first collected April 1997.

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