

# Monthly Construction Update

Business Statistics Team

12<sup>th</sup> April 2024



## Construction output decreased by 1.9% in volume terms in February 2024

The **Office for National Statistics** published estimates of construction output for [February 2024](#) this morning.

- Monthly construction output is estimated to have decreased 1.9% in volume terms in February 2024; this follows a 1.1% increase in January 2024, with the monthly value in level terms at £15,229 million in February 2024.
- The decrease in monthly output came from decreases in both new work (2.3% fall), and repair and maintenance (1.4% fall); anecdotal evidence from survey returns suggested effects of heavy rainfall led to delays in planned work and decreasing output in February 2024.
- At the sector level, eight out of the nine sectors saw a fall in February 2024, with the main contributors to the monthly decrease seen in non-housing repair and maintenance, and private commercial new work, which decreased 2.5% and 4.0%, respectively; the only increase was private housing repair and maintenance, which grew 0.2%.
- Construction output is estimated to have decreased 1.0% in the three months to February 2024; this came solely from a decrease in new work (3.0% fall), as repair and maintenance increased by 1.6%.

## Gross Domestic Product increased by 0.1% in February 2024

The **Office for National Statistics** published estimates of GDP for [February 2024](#) this morning.

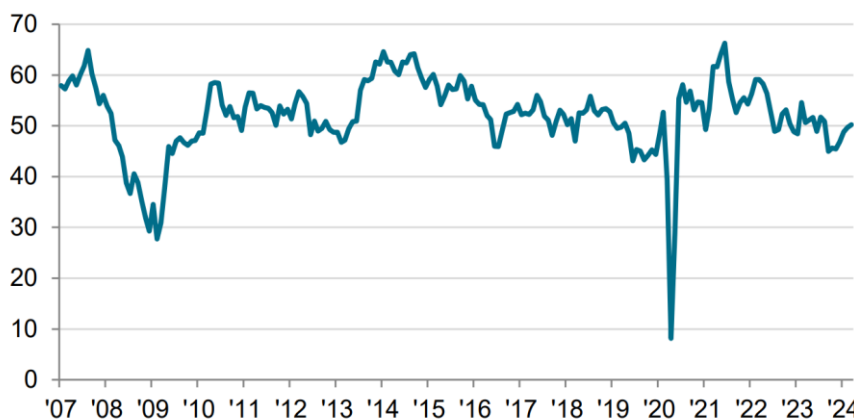
- Monthly real gross domestic product (GDP) is estimated to have grown by 0.1% in February 2024, following growth of 0.3% in January 2024 (revised up from 0.2% growth in our previous publication).
- Real gross domestic product is estimated to have grown by 0.2% in the three months to February 2024, compared with the three months to November 2023.
- Services output grew by 0.1% in February 2024, following growth of 0.3% in January 2024 (revised up from 0.2% growth in our previous publication), and has grown by 0.2% in the three months to February 2024.
- Production output grew by 1.1% in February 2024 and was the largest contributor to the growth in GDP in the month, following a fall of 0.3% in January 2024 (revised down from a 0.2% fall in our previous publication); production output grew by 0.7% in the three months to February 2024.

S&P Global CIPS published their latest [construction purchasing managers index](#) for March 2024 on 5<sup>th</sup> April 2024.

- UK construction companies indicated a renewed increase in total industry activity during March, thereby ending a six-month period of decline. Survey respondents often commented on a turnaround in sales pipelines and greater new business enquiries linked to the improving economic outlook and more stable financial conditions.

Construction Total Activity Index

sa, >50 = growth since previous month



Sources: S&P Global, CIPS.  
Data were collected 12-27 March 2024.

- Adding to signs of a recovery in construction sector performance, new orders expanded at the fastest pace since May 2023. However, construction companies remained cautious about staff hiring, with employment numbers falling for the third month running in March.
- The headline S&P Global UK Construction Purchasing Managers' Index™ (PMI®) – a seasonally adjusted index tracking changes in total industry activity – rose from 49.7 in February to 50.2 in March. Any reading above 50.0 indicates an overall expansion of construction output. Although signalling only a fractional rise in business activity, the index was at its highest level since August 2023.
- Civil engineering was the best-performing segment in March, as output levels increased at a marginal pace. Panel members cited increased work on infrastructure projects and resilient demand in the energy sector.
- House building and commercial construction activity were both broadly unchanged in March. The stabilisation in residential work represented the best performance for this category since November 2022.
- March data pointed to a moderate increase in new work received by construction companies. The rate of expansion accelerated since February and was the strongest for ten months. Anecdotal evidence pointed to a general rise in new project starts and greater tender opportunities across the construction sector so far in 2024.
- In contrast to the positive trends for output and new orders, latest data signalled another reduction in staffing numbers. That said, the rate of job shedding was only marginal and eased since the previous month. At the same time, sub-contractor usage was stable in March. The latest survey indicated a strong improvement in sub-contractor availability. Rates charged by sub-contractors increased at the fastest pace since August 2023
- Purchasing costs rose for the third month running in March. However, the rate of inflation was only marginal and the weakest seen over this period. Survey respondents noted increasing transport costs, but others suggested that strong competition among suppliers had constrained the overall rate of input price inflation.

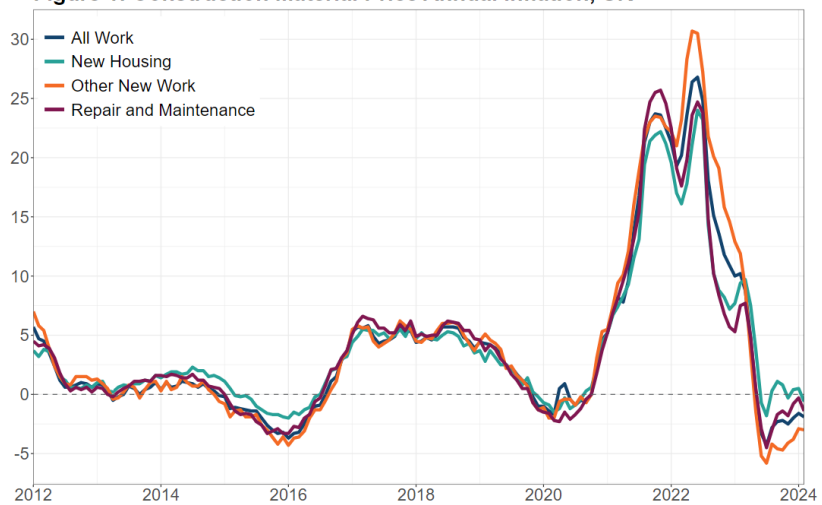
## Building Materials

The latest [Monthly Statistics of Building Materials and Components](#) were published on 10<sup>th</sup> April 2024.

Headline findings:

- the material price index for 'All Work' decreased by 1.9% in February 2024 compared to February 2023
- deliveries of bricks decreased by 9.3% in February 2024 compared to February 2023
- deliveries of blocks decreased by 7.5% in February 2024 compared to February 2023

Figure 1: Construction Material Price Annual Inflation, UK



Source: Monthly Statistics of Building Materials and Components, Table 1

## Business Insights and Impact on the UK economy

The **Office for National Statistics** published further information from their fortnightly [Business insights and impact on the UK economy](#) publication on 4 April 2024, summarising information on the overall UK business population. The survey was live from 18 March to 31 March 2024.

- In late March 2024, more than half (52%) of businesses reported that they were not concerned about the impact climate change may have on their business, up 10 percentage points from early February 2023 (42%).
- In late March 2024, 50% of businesses reported taking at least some level of action to reduce their carbon emissions, a rise of 4 percentage points from early November 2023; the most reported action taken was switching to light emitting diode (LED) bulbs (30%).
- Approximately one in seven (14%) businesses reported that they are currently using some form of artificial intelligence technology, an increase from 10% in late December 2023; for businesses with 250 or more employees, this percentage was higher at 24%, a rise of 5 percentage points over the same period.
- Approximately 1 in 10 (10%) businesses expect their capital expenditure to increase between April and June 2024; this is broadly stable with expectations for between January and March 2024.

## Construction Output Forecasts

**Experian** published their Spring 2024 [forecasts](#) for the construction sector in April 2024.

Key points:

- total construction output is projected to grow by 0.2% in 2024, 4.2% in 2025 and 2.6% in 2026
- the new housing sector is expected to decline by 5.4% in 2024, then grow by 9.6% in 2025 and 2.8% in 2026

- the housing repair, maintenance and improvement (RM&I) is forecast to grow by 3.0% in 2024, 3.7% in 2025 and 2.4% in 2026
- the new infrastructure sector is expected to decline by 3.4% 2024, grow by 2.5% in 2025 and 3.1% in 2026
- the private industrial sector is expected to decline by 6.2% in 2024, rise by 1.1% in 2025 and 2.9% in 2026
- the public non-residential sector is forecast to grow by 3.1% in 2024, 4.3% in 2025 and 3.2% in 2026

The **Construction Products Association** (CPA) published their Winter construction industry forecast as part of their analysis of the [market impact](#) in January 2024.

Key points:

- the CPA forecasts construction output to fall by 2.1% in 2024, before growing by 2.0% in 2025
- private housing is expected to fall by 4.0% in 2024 and grow by 3.0% in 2025
- infrastructure output is expected to fall, albeit by only 0.5% in 2024, before growth of 1.2% in 2025

### Gross Domestic Product Forecasts

The latest monthly **Consensus Economics** [Forecast Survey](#) (which uses an average of private sector forecasts) results were published in April 2024.

- The mean GDP forecast for 2024 is 0.3%, up from 0.2% in the previous month's forecast.
- The mean GDP forecast for 2025 is 1.2%, up from 1.1% in the previous month's forecast.

The **OECD** published their latest [Economic Outlook](#) in February 2024:

- UK GDP is projected to grow by 0.7% this year, up from the 0.3% in the previous forecast in October, and to grow by 1.2% in 2025, up from 0.8% forecasted in October.
- Global GDP growth is projected to increase by 2.9% this year, down from the 3.0% forecasted in October, and to increase by 3.0% in 2025, up from the 2.7% forecasted in October.

### Bank of England Summary of Business Conditions

The **Bank of England** published its most recent update to the [Agents' Summary of Business Conditions](#) on 21 March 2024, covering intelligence gathered in the 6 weeks to mid-February 2024.

Key points:

- construction output volumes continue to fall
- most now anticipate sentiment to begin to improve in the latter part of the year, although as in other sectors this is contingent on reductions in Bank Rate
- as projects complete, the number of new orders remains weak
- concerns about insolvency risks remain high and continue to delay current and new development schedules
- house building has fallen markedly over the last year, although the pace of decline is slowing
- commercial development continues to slow, though not to the extent seen in the housing sector
- the infrastructure sector has seen more deferrals and cancellations of large new projects
- those contacts with projects that already have consent may see a pickup late in the year
- contacts cite slow and increasingly complex planning applications and approvals as a likely drag on the pace of growth

## Builders Merchant Building Index

The [Builders Merchant Building Index](#) for January was published by the **Builders Merchants Federation, GfK** and **MRA Research** on 28<sup>th</sup> March 2024.

### January 2024:

- Total Builders Merchants value sales were down -2.1% January 2024 compared with January 2023. Volume sales were -3.2% lower, and prices were up +1.1%. Nine of the twelve categories sold more than in January 2023, led by Workwear & Safetywear (+18.3%), Landscaping (+6.2%) and Decorating (+6.1%). Two of the largest categories, Heavy Building Materials (-3.8%) and Timber & Joinery Products (-6.3%) were among the weakest. With one more trading day this year, like-for-like sales (which take trading day differences into account) were down -6.5%.
- Total Merchants sales were +41.2% higher in January than in December 2023. All 12 categories sold more. Volume sales were +44.2% higher while prices were down -2.1%. Three of the largest categories were substantially higher: Landscaping (+52.2%), Timber & Joinery Products (+43.8%), and Heavy Building Materials (+42.5%). Services (+19.2%) grew the least. With six more trading days this month, like-for-like sales were +2.7% higher.
- January's overall BMBI index was 83.4. Six of the twelve categories exceeded 100, with Workwear & Safetywear (127.5) ahead the most, followed by Plumbing Heating & Electrical (112.2). Seasonal category Landscaping (62.5) indexed the least. With one more trading day, the like-for-like Index was 77.8.

### Quarter 4 2023

- Total Builders Merchants value sales in Q4 2023 were -5.7% down compared to Q4 2022, with volume sales falling -12.0% and prices rising +7.1%. With one more trading day in Q4 2023, like-for-like sales (which take the number of trading days into account) were -7.3% down. Six the twelve categories sold more in Q4 including Workwear & Safetywear (+8.6%) and Decorating (+7.1%). However, the three largest categories all sold less: Landscaping (-6.7%), Heavy Building Materials (-7.3%) and Timber & Joinery Products (-10.3%).
- Total Builders Merchants value sales for Q4 were down -15.7% compared to Q3. Volume sales fell -19.8% while prices rose +5.1%. With four less trading days in the most recent period, like-for-like sales were -10.1% lower. Workwear & Safetywear (+17.0%) and Plumbing Heating & Electrical (+4.4%) were the only two categories to sell more.

### Expected dates for future construction output releases

<i>Release for:</i>	<i>Publication date:</i>
March 2024	10 <sup>th</sup> May 2024
April 2024	12 <sup>th</sup> June 2024
May 2024	11 <sup>th</sup> July 2024