

# Monthly Construction Update

Business Statistics Team

10<sup>th</sup> May 2024



Department for  
Business & Trade

## Construction output decreased by 0.4% in volume terms in March 2024

The **Office for National Statistics** published estimates of construction output, new orders, and output prices for [March 2024](#) this morning.

- Monthly construction output is estimated to have decreased 0.4% in volume terms in March 2024; this came from decreases in both new work (0.7% fall) and repair and maintenance (0.1% fall).
- At the sector level, five out of the nine sectors saw a fall in March 2024, with the main contributors to the monthly decrease seen in infrastructure new work, and non-housing repair and maintenance, which decreased 3.6% and 2.4%, respectively.
- Quarterly construction output saw a decrease of 0.9% in Quarter 1 (Jan to Mar) 2024 compared with Quarter 4 (Oct to Dec) 2023; this came solely from a decrease in new work (1.8% fall), as repair and maintenance increased by 0.3%.
- Anecdotal evidence received from survey returns suggested mixed effects of wet weather decreasing output, but improvement across some sectors within construction because of warmer weather. The Met Office confirmed in their [Monthly climate summary \(PDF, 4.56MB\)](#) that March 2024 was unsettled, wet and dull, and saw cooler weather give way to warmer weather during the month.
- Total construction new orders increased 15.9% (£1,436 million) in Quarter 1 2024 compared with Quarter 4 2023; this quarterly increase came mainly from private commercial new work and public other new work, which increased 27.9% (£700 million) and 43.8% (£536 million), respectively.
- The annual rate of construction output price growth was 1.5% in the 12 months to March 2024; this has slowed from the record annual price growth in May 2022 and June 2022 (10.7%).

## Gross Domestic Product increased by 0.4% in March 2024

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

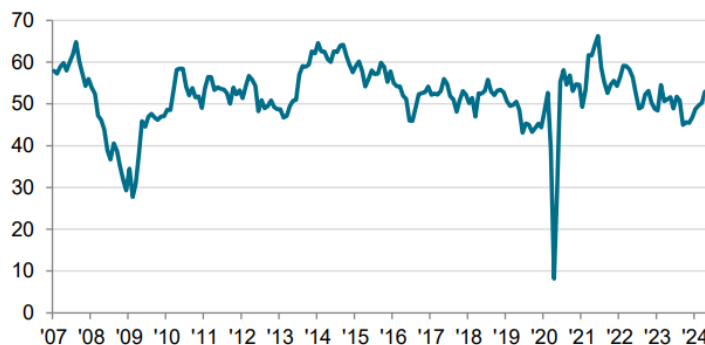
- Monthly real gross domestic product (GDP) is estimated to have grown by 0.4% in March 2024, following growth of 0.2% in February 2024 (revised up from 0.1% growth in our previous publication) and an unrevised growth of 0.3% in January 2024.
- Real gross domestic product is estimated to have grown by 0.6% in the three months to March 2024, compared with the three months to December 2023.
- On a quarterly basis, this gives growth of 0.6% in Quarter 1 (Jan to Mar) 2024, following declines of 0.3% in Quarter 4 (Oct to Dec) 2023 and 0.1% Quarter 3 (July to Sept) 2023.
- Services output grew by 0.5% in March 2024, following growth of 0.3% in February 2024 (revised up from 0.1% growth in our previous publication), and grew by 0.7% in the three months to March 2024; services output was the largest contributor to the growth in GDP on both the month and the three months to March 2024.
- Production output grew by 0.2% in March 2024, following growth of 1.0% in February 2024 (revised down from 1.1% in our previous publication), and grew by 0.8% in the three months to March 2024.

S&P Global CIPS published their latest [construction purchasing managers index](#) for April 2024 on 7<sup>th</sup> May 2024.

- Business activity growth gained momentum across the UK construction sector in April, largely due to solid rates of expansion in the commercial and civil engineering segments. Near-term prospects remained relatively positive, as new work increased for the third month running amid reports of a boost to sales from improving domestic economic conditions.
- Supplier lead times meanwhile shortened to the greatest extent in 2024 so far, which survey respondents linked to rising materials availability and relatively soft demand for construction inputs.
- At 53.0 in April, up from 50.2 in March, the headline S&P Global UK Construction Purchasing Managers' Index™ (PMI®) – a seasonally adjusted index tracking changes in total industry activity – registered in positive territory for the second month running and signalled the strongest pace of expansion since February 2023.
- Commercial building (index at 53.9) increased for the first time since August 2023 and was the fastest-growing area of construction activity in April. Survey respondents commented on rising workloads and a turnaround in customer demand, in part driven by refurbishment projects. Civil engineering activity (index at 53.6) meanwhile expanded again in April and at the strongest pace for nine months.
- The latest survey signalled a setback for house building activity (index at 47.6). April data pointed to a moderate fall in residential building work, although the rate of decline was the steepest since January. Construction companies again noted sluggish market conditions and the impact of elevated borrowing costs.
- New business volumes increased for the third successive month in April, although the rate of expansion eased since March and was only modest. Those reporting higher new order intakes typically cited improved client confidence, particularly in the commercial segment.
- Despite sustained rises in output and new work, the latest survey pointed to another marginal reduction in employment numbers. Lower staffing levels were often linked to the nonreplacement of voluntary leavers, due to cost pressures and the completion of major projects.
- Demand for construction products and materials softened for the eighth consecutive month in April. Lower input buying was partly attributed to destocking. Supplier performance meanwhile improved at the fastest pace since December 2023.
- Sub-contractor availability increased at a robust rate in April, despite a rise in usage for the first time in 2024 to date. Rates charged by sub-contractors increased at the strongest pace since August 2023.
- Purchasing prices rose only modestly in April, with construction firms noting that suppliers had sought to pass on greater wage bills and transportation costs. However, the overall rate of cost inflation was only modest and well below the long-run survey average.
- Finally, optimism regarding the year-ahead business outlook edged up in April. Nearly half of the survey panel anticipate a rise in output during the next 12 months, while only 11% forecast a decline. Survey respondents mostly commented on improving sales enquiries and more positive signals for customer demand, alongside hopes of interest rate cuts in the latter half of 2024.

Construction Total Activity Index

sa, >50 = growth since previous month



Sources: S&P Global, CIPS.

Data were collected 11-29 April 2024.

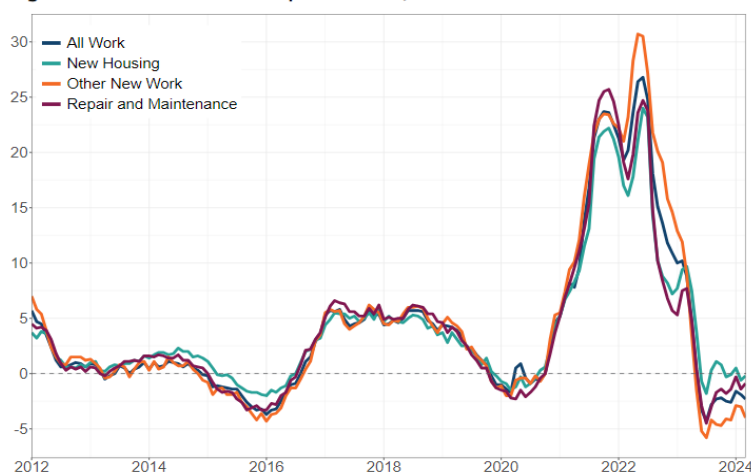
## Building Materials

The latest [Monthly Statistics of Building Materials and Components](#) were published on 1<sup>st</sup> May 2024.

Headline findings:

- the material price index for 'All Work' decreased by 2.3% in March 2024 compared to March 2023
- deliveries of bricks decreased by 7.4% in March 2024 compared to March 2023
- deliveries of blocks increased by 4.9% in March 2024 compared to March 2023

Figure 1: construction material price indices, 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 2<sup>nd</sup> May 2024, summarising information on the overall UK business population. The survey was live from 15<sup>th</sup> April to 28<sup>th</sup> April 2024.

- In the last 12 months, 21% of trading businesses with 10 or more employees had exported goods, services, or both; this figure was 26% for businesses reporting they had imported.
- Of those businesses that reported they had exported, 61% reported they had either exported the same amount, or that their exporting had increased in March 2024 compared with the same month last year; 25% reported they had exported less.
- Of those businesses that reported they had imported, 67% reported they had either imported the same amount, or that their importing had increased in March 2024 compared with the same month last year; 18% reported they had imported less.
- In March 2024, 33% of trading businesses with 10 or more employees reported they were able to get the goods or services they needed from within the EU; 2% were unable to get what they needed, and the remaining proportion indicated that the question was not applicable to them.

## 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 [Spring construction industry forecast](#) on 26<sup>th</sup> April 2024.

Key points:

- the CPA forecasts construction output to fall by 2.2% in 2024, before growing by 2.1% in 2025 and 3.6% in 2026
- private new housing is expected to fall by 5.0% in 2024 and grow by 5.0% in 2025
- private housing repair, maintenance and improvement (rm&i) is expected to fall 4.0% in 2024

### 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 May 2024:

- UK GDP is projected to grow by 0.4% this year, down from the 0.7% in the previous forecast in February, and to grow by 1.0% in 2025, down from 1.2% forecasted in February.
- Global GDP growth is projected to increase by 3.1% this year, up from the 2.9% forecasted in February, and to increase by 3.2% in 2025, up from the 3.0% forecasted in February.

### 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. Contacts expect that activity will stabilise at weak levels during the summer. Most now anticipate sentiment to begin to improve in the latter part of the year, although as in other sectors this is contingent of 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. Housing associations continue to reduce new builds, constrained by higher costs and the need to redirect budget towards repairs and upgrading.
- Commercial development continues to slow, though not to the extent seen in the housing sector. The higher cost of funding is deterring most speculative activity and confidence remains weak. 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. Beyond then, 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 February was published by the **Builders Merchants Federation, GfK** and **MRA Research** on 30<sup>th</sup> April 2024.

### February 2024:

- Total Builders Merchants value sales were down -4.7% in February 2024 compared with February 2023. Volume sales were -7.5% lower, with prices up +3.1%. Eight of the twelve categories sold more than in February 2023, led by Workwear & Safetywear (+18.3%), Miscellaneous (+10.2%) and Decorating (+6.2%). But the two largest categories Timber & Joinery Products (-6.4%) and Heavy Building Materials (-7.9%) were down. Renewables & Water Saving (-20.9%) was the weakest performing category. With one more trading day this year, like-for-like sales (which take trading day differences into account) were down -9.2%
- Total Merchants sales were +4.8% higher in February than in January 2024. Volume sales were +8.1% up, while prices were down -3.1%. Eight of the twelve categories sold more with one of the largest categories, Landscaping (+17.0%) up considerably. Heavy Building Materials (+5.8%), Kitchens & Bathrooms (+3.7%), Tools (+2.9%) and Timber & Joinery Products (+2.3%) were also up. Plumbing Heating & Electrical (-2.1%) and Workwear & Safetywear (-4.2%) were the worst performing. With one less trading day this month, like-for-like sales were +9.7% higher.
- February 2024's overall BMBI index was 87.4. Eight of the twelve categories exceeded 100, with Workwear & Safetywear (122.1) the leading category. Plumbing Heating & Electrical (109.8) and Decorating (109.0) also stood out. Seasonal category Landscaping (73.2) indexed the least. There was no difference in trading days.

### 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

Release for:	Publication date:
April 2024	12 <sup>th</sup> June 2024
May 2024	11 <sup>th</sup> July 2024
June 2024	15 <sup>th</sup> August 2024