

Monthly Construction Update

Business Statistics Team

12th June 2024



Construction output decreased by 1.4% in volume terms in April 2024

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

- Monthly construction output is estimated to have decreased by 1.4% in volume terms in April 2024, with the monthly value in level terms at £14,940 million.
- The fall in monthly output came from decreases in both new work (1.9% fall), and repair and maintenance (0.8% fall); anecdotal evidence from survey returns suggests effects of heavy rainfall and strong winds affected output in April.
- At the sector level, seven out of the nine sectors saw a fall in April 2024; the main contributors to the monthly decrease were private housing new work, and private housing repair and maintenance, which fell by 4.4% and 2.5%, respectively.
- Construction output is estimated to have decreased by 2.2% in the three months to April 2024; this came from decreases in both new work (2.8% fall), and repair and maintenance (1.4% fall) and is the sixth consecutive fall in the three-monthly series.

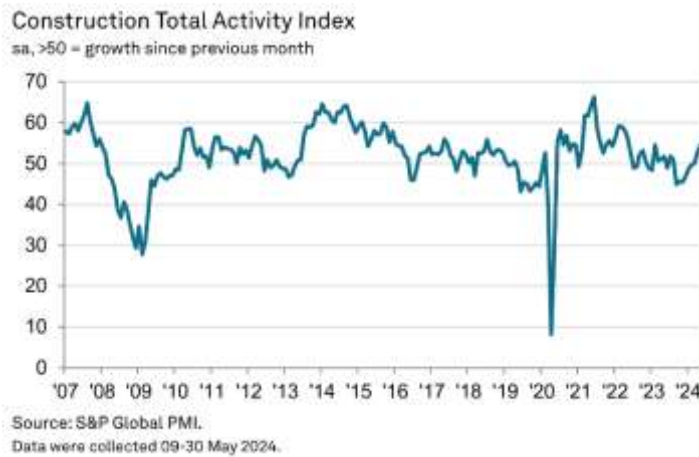
Gross Domestic Product showed no growth in April 2024

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

- Monthly real gross domestic product (GDP) is estimated to have shown no growth in April 2024, following growth of 0.4% in March 2024.
- Real gross domestic product is estimated to have grown by 0.7% in the three months to April 2024 compared with the three months to January 2024.
- Services output grew by 0.2% in April 2024, its fourth consecutive monthly growth, and also grew by 0.9% in the three months to April 2024.
- Production output fell by 0.9% in April 2024 following growth of 0.2% in March 2024, but grew by 0.7% in the three months to April 2024.
- Construction output fell by 1.4% in April 2024, its third consecutive monthly fall, and fell by 2.2% in the three months to April 2024.

S&P Global / CIPS UK Construction Purchasing Managers Index for May 2024

S&P Global CIPS published their latest [construction purchasing managers index](#) for May 2024 on 6th June 2024.



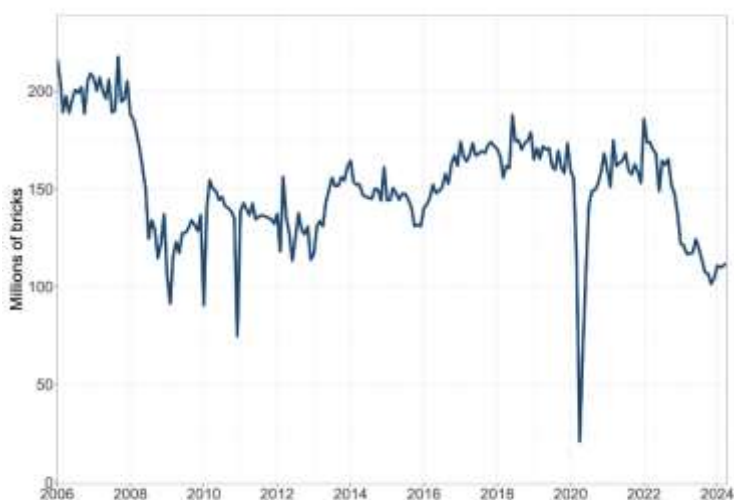
- May represented the third consecutive month of increasing activity in the construction sector, with the seasonally adjusted Construction Total Activity Index posting above the 50 no-change mark for the third month running.
- The index rose to 54.7 in May compared to 53.0 in April, showing that construction activity is increasing at an even higher rate than last month. This represents the fastest increase in activity in the last two years.
- Increases in the index reflect continued growth of new orders in the sector, with new business increasing for the fourth consecutive month to a one-year high.
- Improved supply chain conditions have contributed to healthy stock levels and vendor performance, decreasing lead times to the highest extent in seven months.
- Input cost inflation has slowed to the softest rate in five months, with only a marginal increase in input costs. This is likely thanks to the improved supply conditions described above.
- For the first time since May 2022, all three monitored categories – housing, commercial and civil engineering construction – saw increased activity, thanks to housing construction returning to growth. Commercial construction has risen sharply to a two-year high. While civil engineering construction also recorded a steady increase in activity, this increase was softer compared to that experienced by commercial construction.
- Construction firms have increased employment levels for the first time in five months, reflecting the growing number of new orders and construction activity. This increase in employment levels, while still modest, represents the sharpest increase since last September.
- Subcontractor availability also increased significantly in May, despite increased demand for their services. However, the rates charged by subcontractors have also increased, albeit at a slower pace than the series average.
- Construction activity is expected to increase over the next 12 months, thanks to continued increases in new business as well as effective pre-planned marketing campaigns.
- Construction companies hope that improving economic conditions and decreases in interest rates will further increase construction activity and business confidence. Business confidence had reached a three-month high in May.

Building Materials

The latest [Monthly Statistics of Building Materials and Components](#) were published on 5th June 2024.

Figure 1: Seasonally adjusted deliveries of bricks, GB

Number of bricks



Source: Monthly statistics of building materials and components, table 9

Headline findings:

- Deliveries of bricks decreased by 4.3% in April 2024 compared to April 2023.
- Deliveries of blocks decreased by 9.8% in April 2024 compared to April 2023.
- The material price index for 'All Work' decreased by 3.1% in April 2024 compared to April 2023.

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 6th June 2024, summarising information on the overall UK business population. The survey was live from 20th May 2024 to 2nd June 2024.

- In late May 2024, approximately one in five (19%) businesses reported they are either using or intending to use increased home working as a permanent business model in the future; of those businesses, 51% reported reduced overheads as a reason for doing so.
- A quarter (25%) of businesses reported an increase in their employees' hourly wages in April 2024 compared with March 2024.
- In late May 2024, nearly a third (32%) of businesses reported an increase in staffing costs (including wages, bonuses, National Insurance, and pension contributions) over the last three months; in contrast, 18% of businesses expect staffing costs to increase over the next three months.
- In late May 2024, three-quarters (75%) of businesses reported they had not experienced any challenges as a result of worker shortages, while 7% reported they were not sure.

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 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 May 2024.

- The mean GDP forecast for 2024 is 0.5%, up from 0.3% in the previous month's forecast.
- The mean GDP forecast for 2025 is 1.1%, down from 1.2% 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 Quarter 1 2024 was published by the **Builders Merchants Federation**, **GfK** and **MRA Research** on 7th June 2024.

March 2024:

- Total Builders Merchants value sales for the month fell by 13.6% compared to March 2023. Volume sales dropped 14.0% while prices increased slightly by 0.5%. With three fewer trading days in March this year, like-for-like sales were -0.6% lower.
- All categories sold less in March 2024 compared to March 2023, with Workwear & Safetywear (-0.4%), Decorating (-5.0%), Landscaping (-6.8%), Tools (-9.2%), Kitchens & Bathrooms (-9.8%) and Plumbing Heating & Electrical (-11.9%) falling less than the Total Merchants value. Heavy Building Materials (-15.2%) and Timber & Joinery Products (-17.7%) were significantly down compared to March 2023, and exhibit the greatest drops.

Quarter 1 2024:

- Total Builders Merchants value sales in Q1 2024 were down by 7.2% compared to Q1 2023, with volume sales falling 8.7% and prices rising by 1.6%. With one less trading day in Q1 2024, like-for-like sales were lower by 5.7%. Year-on-year, only three of the twelve categories sold more in Q1 2024 compared to Q1 2023, with Workwear & Safetywear showing the greatest increase (11.5%). The two largest categories – Timber and Joinery Products (-10.6%) and Heavy Building Materials (-9.4%) both showed decreases in sales. The weakest category was Renewables & Water Saving (-26.5%).
- Total Builders Merchants sales were up 3.5% in Q1 2024 compared to Q4 2023. Volume sales were 3.9% higher while prices decreased only marginally (-0.4%). With three additional trading days in Q1 2024, like-for-like sales were 1.4% lower. All but one category showed increases in sales, with Landscaping (14.6%) showing the highest growth, followed by Tools (+6.0%). Renewables & Water Saving (-6.6%) was the only category to sell less.

Expected dates for future construction output releases

Release for:	Publication date:
May 2024	11 th July 2024
June 2024	15 th August 2024
July 2024	11 th September 2024