

Monthly Construction Update

Business Statistics Team
11th September 2024



Department for
Business & Trade

Construction output fell by 0.4% in July 2024

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

- Monthly construction output is estimated to have decreased 0.4% in volume terms in July 2024; this follows an increase of 0.5% in June 2024.
- The decrease in monthly output came from falls in both new work (0.2%) and repair and maintenance (0.7%).
- At the sector level, monthly output fell in five out of the nine sectors in July 2024, with the main contributors to the monthly decrease coming from private commercial new work and private housing repair and maintenance, which fell by 2.4% and 1.7%, respectively.
- Construction output is estimated to have grown by 1.2% in the three months to July 2024; this came from increases in both new work (1.6%), and repair and maintenance (0.8%); the increase in construction output in the three months to July 2024 came from increases in May 2024 (1.7%) and June 2024 (0.5%).

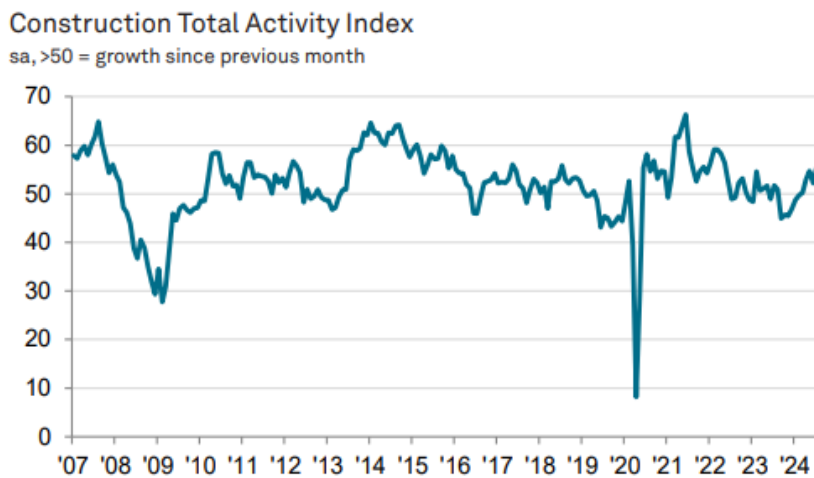
Gross Domestic Product showed no growth in July 2024

The **Office for National Statistics** published estimates of GDP (Gross Domestic Product) for [July 2024](#) this morning.

- Monthly real gross domestic product (GDP) is estimated to have shown no growth in July 2024, after also showing no growth in June 2024.
- Real GDP is estimated to have grown by 0.5% in the three months to July 2024 compared with the three months to April 2024, with widespread growths in the services sector in this period.
- Services output grew by 0.1% in July 2024, following a decrease of 0.1% in June 2024, and grew by 0.6% in the three months to July 2024.
- Production output decreased by 0.8% in July 2024, following a growth of 0.8% in June 2024, and decreased by 0.1% in the three months to July 2024.
- Construction output decreased by 0.4% in July 2024, following a growth of 0.5% in June 2024, but grew by 1.2% in the three months to July 2024, its first positive three-month growth since September 2023.
- There are no revisions included in this monthly release in accordance with the [National Accounts revision policy](#); data revisions up to 2022, as announced in the [Blue Book 2024: Advanced aggregate estimates release](#), and any additional updates to data from 2023 onwards, will be published in the monthly GDP release on 11 October 2024.

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

Figure 1: Monthly Construction Total Activity Index, start of series to August 2024.



Source: S&P Global PMI.

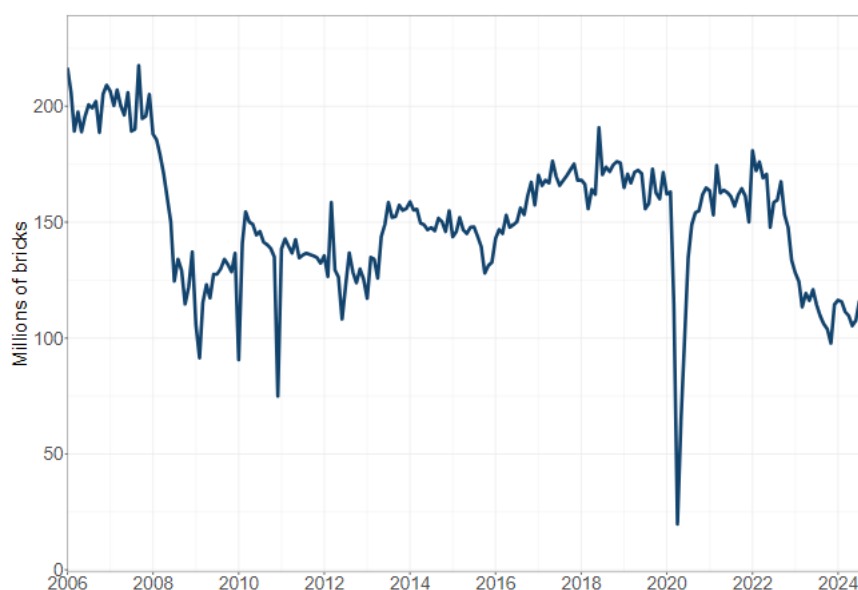
Data were collected 12-29 August 2024.

S&P Global CIPS published their latest [construction purchasing managers index](#) for August 2024 on 5th September 2024.

- The UK construction sector showed a continued rebound in August, through the growth rate slightly slowed compared to July. The overall expansion remains strong, supported by favourable market conditions.
- The S&P Global UK Construction PMI for August registered at 53.6, above the natural 50.0 mark for the sixth consecutive month. Although this figure was down from July's 26-month high of 55.3, it still indicated solid growth across the sector.
- Commercial activity was the best top – performing segment, with an index of 53.7. However, this growth rate slowed to its lowest level since March, as firms cited a dip in the pace of new orders following the general elections.
- Civil engineering activities expanded, but at a slower rate than in July, with an index of 51.8. The sector's moderate growth was weaker compared to other segments, highlighting some uneven recovery.
- Residential construction experienced its fastest growth since September 2022 with an index of 52.7. This was driven by improved market conditions and lower borrowing costs, which helped boost housing activity.
- The overall increase in construction output during August was notably stronger than the first half of 2024. Respondents credited improving economic conditions and increased political stability as key factors driving higher customer demand and increased new work orders across the sector.
- Construction companies saw more orders and stronger sales, making them more confident about the future, though some were worried about public sector budgets and infrastructure spending.
- Hiring stayed the same in August, ending three months of growth, and companies used fewer sub-contractors due to high wages and not enough available workers. Price increases slowed down, and companies continued buying more materials for the fourth month in a row, though some faced delivery issues due to limited haulage capacity.

Building Materials and Components

Figure 2: Monthly seasonally adjusted deliveries of bricks (in millions), Great Britain, 2006 to July 2024



The latest [Monthly Statistics of Building Materials and Components](#) were published on 4th September 2024.

Headline findings:

- Deliveries of bricks increased by 1.4% in July 2024 compared to July 2023.
- Deliveries of blocks decreased by 15.1% in July 2024 compared to July 2023.
- The material price index for 'All Work' decreased by 1.0% in July 2024 compared to July 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 5th September 2024, summarising information on the overall UK business population. The survey was live from 19th August to 1st September 2024.

- More than three quarters (77%) of businesses reported their hourly wages stayed the same in July 2024 compared with June 2024, a 15-percentage point increase compared with April 2024; this increase in proportion may be because the time period no longer covers the April 2024 National Living Wage increases.
- In late August 2024, one in five (20%) businesses reported an increase in staffing costs (including wages, bonuses, national insurance and pension contributions) over the last three months, down 12 percentage points from late May 2024, while 17% of businesses expect staffing costs to increase over the next three months.
- In late August 2024, 60% of businesses with 10 or more employees reported they had not experienced any challenges as a result of worker shortages; in contrast, the most reported challenge experienced by businesses as a result of worker shortages was employees working increased hours (20%).
- In late August 2024, more than one in five (21%) businesses reported they are either using, or intending to use, increased home working as a permanent business model going forward; of those businesses, 56% reported reduced overheads as a reason for this.

Construction Output Forecasts

Experian published their Summer 2024 [forecasts](#) for the construction sector in July 2024.

Key points:

- Total construction output is projected to decline by 0.6% in 2024, then grow by 3.3% in 2025 and 3.2% in 2026
- The new housing sector is expected to decline by 4.2% in 2024, then grow by 7.7% in 2025 and 6.4% in 2026
- Total repair, maintenance, and improvement (RM&I) is forecast to grow by 3.7% in 2024, 2.8% in 2025 and 2.3% in 2026
- The new infrastructure sector is expected to decline by 2.9% 2024, then grow by 2.0% in 2025 and in 2026
- The private industrial sector is expected to decline by 12.3% in 2024 and by 1.0% in 2025, then grow by 4.8% in 2026.
- The private commercial sector is expected to decline by 3.0% in 2024, then grow by 1.1% in 2025 and 1.8% in 2026.
- The public non-residential sector is forecast to grow by 0.7% in 2024, 2.3% in 2025 and 2.5% in 2026

The **Construction Products Association** (CPA) published their [Summer construction industry forecast](#) on 26th July 2024.

Key points:

- The CPA forecasts construction output to fall by 2.9% in 2024, before growing by 2.0% in 2025 and 3.6% in 2026.
- Private new housing is expected to fall by 7.0% in 2024 and grow by 6.0% in 2025.
- Private housing repair, maintenance, and improvement (rm&i) is expected to fall 6.0% 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 August 2024.

- The mean GDP forecast for 2024 is 1.0%, up from 0.8% 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 20 June 2024, covering intelligence gathered in the 6 weeks to mid-May 2024.

Key points:

- The pace of annual decline in housebuilding continues to ease, and contacts are expecting increased output towards the end of the year, aided by stabilising costs, and expected easing in bank rate.
- Despite housebuilding still being down compared to the same time last year, smaller housebuilders have reported modest improvements in Q2 2024 compared to Q1 2024.
- Large private developers have been focusing more on social housing projects to maintain output until private demand increases. Despite this, however, new social housing output continues to fall.
- There has been a decrease in public sector projects due to budget constraints, however, increases in utility and core infrastructure developments have partially offset this.
- Repair and maintenance output remains steady across the public sector, social housing, and private homes, as refurbishment of buildings continues in pursuit of lower running costs and improved energy ratings.
- Commercial development has continued to fall modestly compared to the same time last year. Project deferrals have continued due to higher funding and build costs, and confidence remains subdued due to sub-contractor failures and long planning processes.

Builders Merchant Building Index

The [Builders Merchant Building Index](#) for June 2024 was published by the **Builders Merchants Federation, GfK and MRA Research** on 4th September 2024.

Quarter 2 2024 vs Quarter 1 2024:

- Total Builders Merchants value sales for the Quarter 2 2024 decreased by 9.5% compared to value sales for Quarter 1 2024. With one more trading day in Quarter 1 of this year, like-for-like value sales were up by 11.2%.
- Three of the twelve categories performed better than the Total Merchants average with the highest increases seen in Landscaping (+43.4%), Services (+11.0%) and Heavy Building Materials (+10.3%). The weakest category was Plumbing, Heating & Electrical (-10.6%).

Quarter 2 2024 vs Quarter 2 2023:

- Total Builders Merchants value sales for the Quarter 2 of this year decreased by 5.8% compared to Quarter 2 of last year. Volume sales decreased by 7.2% while prices increased by 1.5%. With two more trading days in the Quarter 2 this year, like-for-like value sales were down 8.8%.
- Nine of the twelve categories performed better than the Total Merchants average, with the highest increases seen in Workwear & Safetywear (+15.6%), Tools (+5.9%) and Services (+4.0%). However, the two largest categories, Timber and Joinery Products (-7.4%) and Heavy Building Materials (-8.4%) declined more than Total Merchants. The weakest category was Renewables and Water Saving (-28.5%).

June 2024 vs June 2023:

- Total Builders Merchants value sales for the month decreased by 14.7% compared to June 2023. Volume sales decreased by 16.9% while prices increased by 2.7%. With two more trading days in June last year, like-for-like value sales were down by 6.2%.
- Only two out of the twelve categories performed better than the Total Merchants average, with the highest increases seen in Services (+2.2%) and Kitchens and Workwear and Safety (+1.0%). However, the two largest categories, Timber and Joinery Products (-15.5%) and Heavy Building

Materials (-17.2%) declined more than Total Merchants. The weakest category was Renewables and Water Saving (-27.3%).

June 2024 vs May 2024:

- Total Builders Merchants sales for the month decreased 6.0% compared to May 2024. Volume sales were down by 4.4% and prices decreased by 1.7%. There was no difference in trading days between the months.
- Only one out of the twelve categories sold more, with Renewables & Water Savings (+5.5%) doing best. Workwear % Safetywear (-12.6%) and Landscaping (-8.8%) were the weakest performing categories.

Expected dates for future construction output releases	
<i>Release for:</i>	<i>Publication date:</i>
August 2024	11 th October 2024
September 2024	14 th November 2024
October 2024	13 th December 2024