

# Monthly Construction Update

Business Statistics Team  
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Department for  
Business & Trade

## Construction output increased by 0.4% in August 2024

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

Main points:

- Monthly construction output is estimated to have increased by 0.4% in volume terms in August 2024; this follows a decrease of 0.4% in July 2024.
- The increase in monthly output came from growth in new work (1.6%) as repair and maintenance fell by 1.0%.
- At the sector level, five out of the nine sectors grew in August 2024; the main contributors to the monthly increase were private housing new work and private commercial new work, which grew by 3.4% and 2.2%, respectively.
- Construction output is estimated to have grown by 1.0% in the three months to August 2024; this came from an increase in new work (1.7%), while repair and maintenance showed no growth.

## Gross Domestic Product increased by 0.2% in August 2024

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

Main points:

- Monthly real gross domestic product (GDP) is estimated to have grown by 0.2% in August 2024, after showing no growth in July 2024.
- Real GDP is estimated to have grown by 0.2% in the three months to August 2024 compared with the three months to May 2024.
- Services output grew by 0.1% in August 2024, following an increase of 0.1% in July 2024, and grew by 0.1% in the three months to August 2024.
- Production output grew by 0.5% in August 2024, following a fall of 0.7% in July 2024, but showed no growth in the three months to August 2024.
- Construction output grew by 0.4% in August 2024, following a fall of 0.4% in July 2024, and grew by 1.0% in the three months to August 2024.

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

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

### S&P Global UK Construction PMI Total Activity

Index, sa, >50 = growth m/m



Data compiled 12-27 September 2024.

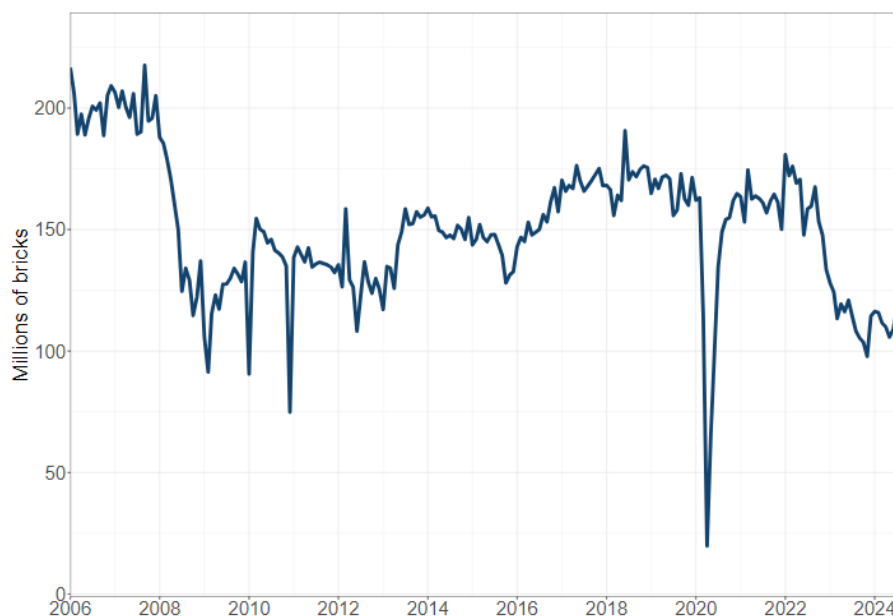
Source: S&P Global PMI. ©2024 S&P Global.

**S&P Global CIPS** published their latest [construction purchasing managers index](#) for September 2024 on 4<sup>th</sup> October 2024.

- Growth in the UK construction sector accelerated to its fastest rate for nearly two and a half years. New work expanded markedly thanks to an increasing willingness to spend among clients, as well as a more supportive economic environment.
- The S&P Global UK Construction Purchasing Managers' Index (PMI) posted at 57.2 in September, up from 53.6% in August. This is the seventh consecutive month above the neutral threshold of 50, and the steepest rate of growth for 29 months.
- All three sub-sectors posted faster output rates. Civil engineering (index at 59.0) was the best-performing category, boosted by robust demand for renewable energy infrastructure. Commercial building (55.2) gained momentum in September, rising to the highest level since May, boosted by lower borrowing costs and domestic political stability. House building (54.3) showed the fastest level of growth since March 2022, aided by improving market conditions and rising confidence.
- Total new orders increased at the strongest rate for two-and-a-half years in September, which encouraged recruitment of additional staff. Despite this, some firms have noted that additional cost pressures have led to delays in replacing voluntary departures.
- Demand for construction products and materials increased at the fastest pace since early 2022. Nevertheless, suppliers' delivery times shortened again in September, which was linked to rising stocks among vendors. However, some construction companies noted concerns about future steel prices due to recent closures of domestic blast furnaces.
- Business activity expectations for the year ahead remained upbeat in September, despite slipping to the lowest level since April. This optimising was often centred on prospects for sustained growth in the house building sector.

## Building Materials and Components

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



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

The latest [Monthly Statistics of Building Materials and Components](#) were published on 2 October 2024.

Headline findings:

- Deliveries of bricks increased by 13.2% in August 2024 compared to August 2023
- Deliveries of blocks decreased by 3.7% in August 2024 compared to August 2023
- The material price index for 'All Work' decreased by 1.1% in August 2024 compared to August 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 3 October 2024, summarising information on the overall UK business population. The survey was live from 16 to 29 September 2024.

- Nearly 3 in 5 (56%) businesses reported in late September 2024 that they were not concerned about the impact climate change may have on their business; this is up 4 percentage points from June 2024 and the highest proportion reported since the question was first introduced in the Business Insights and Conditions Survey (BICS) in September 2022.
- Approximately 1 in 7 (15%) businesses reported in late September 2024 that they are currently using some form of artificial intelligence (AI) technology, 5 percentage points higher than in late September 2023; for businesses with 250 or more employees, this percentage was higher at 30%, a rise of 12 percentage points over the same period.

- Approximately 1 in 5 (21%) businesses had concerns about their supply chains over the next 12 months, with this percentage higher at 34% for the wholesale and retail trade industry and 33% for the manufacturing industry; the most reported concerns were increased barriers to trade, shipping disruption and international conflict, all 8%.
- Nearly a quarter of businesses (24%) reported that they would increase their prices if they were to experience higher employment costs in the future, with 18% indicating that they would absorb the extra costs within their profit margins; for businesses with 10 or more employees, these percentages increased to 40% and 31%, respectively.
- Fewer than 1 in 10 (8%) trading businesses reported that they are currently stockpiling goods and materials, a slight fall from the 9% reported in June 2024; the wholesale and retail trade industry had the highest proportion of businesses who were stockpiling, at 19%, a rise of 3 percentage points from June 2024 and the highest proportion for this industry since the question was introduced in the survey in February 2021.

## 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 26<sup>th</sup> 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 October 2024.

- The mean GDP forecast for 2024 is 1.0%, showing no change from previous month's forecast.
- The mean GDP forecast for 2025 is 1.3%, up by 0.1% from 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 19 September 2024, covering intelligence gathered in the 6 weeks to late August 2024.

Key points:

- The pace of annual decline in construction output continues to ease.
- Improvement in sentiment has been driven by government comments on new housebuilding targets and planning reforms, as well as cuts in interest rates. Growth is expected to return in 2025.
- Private housebuilding activity is down slightly compared to the same time last year, but as some contacts note a return to growth, the sector is close to stabilising.
- Social housebuilding activity continues to fall, as a result of Housing Associations facing continued funding pressures.
- Repair, maintenance and improvement activity continues to grow on last year as a result of diverted Housing Association spending and office refits following post-covid changes in usage patterns.
- New commercial development is still down compared to last year, particularly traditional office space. However, demand for warehouses and data centres remains robust.
- Across sectors, contacts continue to cite high interest rates, increased building costs, labour shortages and planning delays as constraints to increasing construction activity.

## Builders Merchant Building Index

The [Builders Merchant Building Index](#) for July 2024 was published by the **Builders Merchants Federation**, **GfK** and **MRA Research** on 1 September 2024.

### *July 2024 vs July 2023:*

- Total Builders Merchants value sales for the month increased by 0.9% in July 2024 compared to the same month last year. Volume sales were slightly higher (+0.6%) with prices flat (+0.3%). With two more trading days this year, like-for-like value sales were down by 7.9%.
- Eight of the twelve categories performed better than Total Merchants, led by Workwear & Safetywear (+27.7%), Tools (+9.8%) and Decorating (+8.8%). The two largest categories, Heavy Building Materials (-0.2%) and Timber and Joinery Products (-0.6%), performed slightly worse than total merchants. Renewables & Water Saving (-28.4%) fell significantly compared to other categories.

### *July 2024 vs June 2024:*

- Total Builders Merchants sales for the month increased by 11.6% in July 2024 compared to June 2024. Volume sales were up by 11.7% and prices were flat (-0.1%). With three more trading days this month, like-for-like value sales were down 3.0%.
- Eight of the twelve categories performed better than Total Builders Merchants, with workwear & Safetywear (+19.8%), Plumbing Heating & Electrical (+15.5%), Ironmongery (+15.2%) and Renewables & Water Saving (+13.7%) out in front. Kitchens & Bathrooms (+8.0%) and Landscaping (+3.3) grew more slowly than other categories.

Expected dates for future construction output releases	
<i>Release for:</i>	<i>Publication date:</i>
September 2024	15 November 2024
October 2024	13 December 2024
November 2024	15 January 2025

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