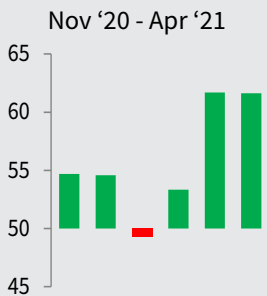




UK Construction Total Activity Index



Commercial work leads the construction recovery in April

Steepest pace of civil engineering growth since September 2014

Input price inflation highest in 24 years of data collection

UK construction companies signalled a strong increase in output volumes during April, with continued recoveries seen in civil engineering activity, commercial work and house building. Workloads were boosted by the fastest rise in overall new orders since September 2014.

On a less positive note, demand and supply imbalances meant that the rate of input cost inflation picked up for the seventh month in a row to its highest since the survey began in April 1997.

The headline IHS Markit/CIPS UK Construction PMI® Total Activity Index posted 61.6 in April, down only fractionally from March's six-and-a-half year peak of 61.7. Any figure above 50.0 indicates an overall expansion of construction output. The index has posted in growth territory in ten of the past eleven months, with January 2021 the exception.

Commercial work (index at 62.2) was

the best-performing broad category of construction output in April, although the rate of expansion eased slightly since March. Survey respondents widely commented on a boost to client demand from rising business confidence and the reopening of the UK economy.

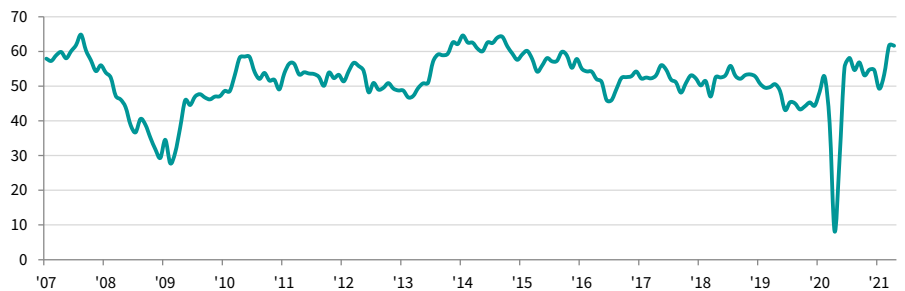
Civil engineering (index at 61.5) bucked the softer overall growth trend in April and signalled its fastest speed of recovery since September 2014. Construction companies often cited increased levels of work on major infrastructure programmes, including contract awards from HS2 and Highways England.

Meanwhile, house building (index at 61.2) continued to rise at a strong pace in April, but the rate of growth eased from March's recent peak (64.0). There were widespread reports of robust demand for residential building projects and new housing developments.

continued...

UK Construction Total Activity Index

sa, >50 = growth since previous month



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Total new work increased for the eleventh consecutive month in April. Moreover, the latest improvement in order books was the strongest for just over six-and-a-half years. This contributed to the steepest rate of job creation across the construction sector since December 2015.

Mirroring the trend for new business, input buying expanded at the fastest pace since September 2014. A rapid rise in demand for construction products and materials continued to stretch supply chains in April. The latest lengthening of suppliers' delivery times was the third-greatest since the survey began in 1997, exceeded only by those seen during the lockdown in April and May last year. Construction firms mostly cited demand

and supply imbalances, but some suggested that Brexit issues had led to delays with inputs arriving from the EU.

Higher prices paid for a wide range of construction items contributed to the fastest overall rate of cost inflation since the survey began in April 1997 (index at 84.6, up from 77.8 in March). Steel, timber and transportation were among the most commonly reported items up in price.

Looking ahead, construction companies remained highly upbeat about their growth prospects in April. More than half of the survey panel (57%) expect a rise in business activity during the next 12 months, while only 7% forecast a decline.

Comment

Tim Moore, Economics Director at IHS Markit, which compiles the survey:

"The UK construction sector is experiencing its strongest growth phase for six-and-a-half years, with the recovery now evenly balanced across the house building, commercial and civil engineering categories.

"New orders surged higher in April as the end of lockdown spurred contract awards on previously delayed commercial development projects. This added to the spike in workloads from robust housing demand and the delivery of major infrastructure programmes such as HS2.

"Shortages of construction materials and much longer wait times for deliveries from suppliers were a sting in the tail for the sector. Aggregates, timber, steel, cement and concrete products were all widely reported as in short supply by survey respondents.

"Supply and demand imbalances for construction items, alongside higher transport costs, resulted in severe price pressures across the board during April. The overall rate of input cost inflation reached its fastest since data collection began 24 years ago, exceeding the previous record seen at the top of the global commodity price cycle in 2008."

Duncan Brock, Group Director at the Chartered Institute of Procurement & Supply:

"The building blocks were in place in April as builders confirmed more work, more job opportunities and strong optimism for the next 12 months.

"The overall growth rate of new business strengthened to the fastest since September 2014 as all three sectors improved and civil engineering the laggard of last year gained the

most momentum.

"Issues around supply chain performance acted as a drag on capacity however as supply constraints on essential materials increased to one of the third highest levels since 1997 when the survey began. Brexit issues remained a factor affecting deliveries from the EU and suppliers generally were struggling to meet the sudden rush in demand leading to shortages of basic materials.

"This inevitably led to the sharpest rise in cost inflation in a generation as builders scrambled to catch up on projects but the biggest rise in job creation since December 2015 also followed, signalling sustainable growth in the sector this summer."

Activity by sector

Residential

April data pointed to a strong increase in house building activity across the UK construction sector, although the rate of expansion eased from March's eight-month high. Survey respondents continued to report robust underlying demand for residential building projects.

Commercial

The rate of output growth across the commercial segment eased only slightly from the six-and-a-half year high seen during March. Moreover, commercial building was the best-performing broad category of construction work in April. Higher levels of activity were mainly linked to a bounce in business confidence among clients due to the improving pandemic situation.

Civil Engineering

Construction companies registered a sharp and accelerated increase in work on civil engineering projects in April. The respective index posted above the 50.0 no-change mark for the second month running and signalled the fastest rate of growth since September 2014. A number of survey respondents commented on rising activity linked to major infrastructure programmes, including contract awards from HS2 and Highways England.

Housing Activity Index

sa, >50 = growth since previous month

61.2

Apr '21



Commercial Activity Index

sa, >50 = growth since previous month

62.2

Apr '21



Civil Engineering Activity Index

sa, >50 = growth since previous month

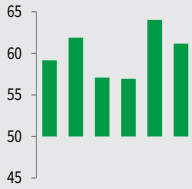
61.5

Apr '21



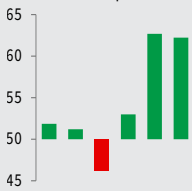
Housing Activity Index

Nov '20 - Apr '21



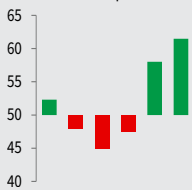
Commercial Activity Index

Nov '20 - Apr '21



Civil Engineering Activity Index

Nov '20 - Apr '21



Demand and jobs

New orders

Incoming new work continued to rebound at a strong pace in April, with the seasonally adjusted index signalling the fastest improvement in order books since September 2014. Greater confidence among clients was the most commonly cited reason for increased workloads during April, which was often linked to the reopening of the UK economy after the national lockdown period.

Employment

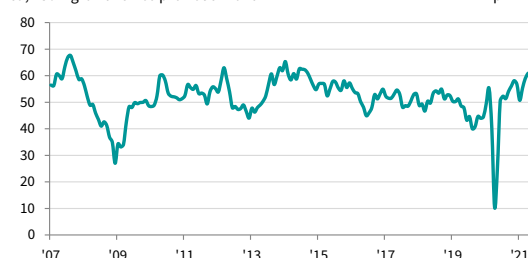
April data highlighted a sharp and accelerated increase in staffing numbers across the construction sector, which largely reflected greater workloads. The seasonally adjusted Employment Index posted above the 50.0 no-change value for the third consecutive month and the latest reading signalled the fastest pace of job creation since December 2015.

New Orders Index

sa, >50 = growth since previous month

60.9

Apr '21

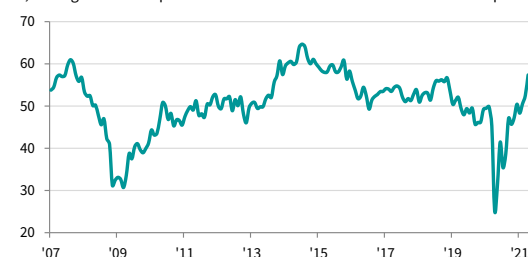


Employment Index

sa, >50 = growth since previous month

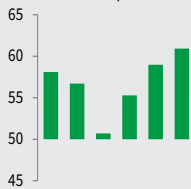
57.4

Apr '21



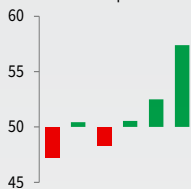
New Orders Index

Nov '20 - Apr '21



Employment Index

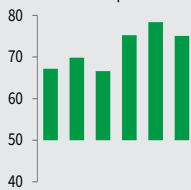
Nov '20 - Apr '21



Business expectations

Future Activity Index

Nov '20 - Apr '21



More than half of the survey panel (57%) anticipate a rise in business activity during the next 12 months, while only 7% forecast a decline. The resulting Future Activity Index was firmly inside positive territory during April, although the latest reading signalled a slightly lower degree of optimism than in March.

Contract awards on infrastructure projects were often reported as a factor helping to boost business expectations.

Future Activity Index

>50 = growth expected over next 12 months

75.1

Apr '21



Purchasing

Quantity of purchases

Construction companies reported another strong month for input buying during April. The seasonally adjusted Quantity of Purchases Index signalled the fastest increase in purchasing volumes since September 2014. Higher levels of input buying were attributed to new project starts and efforts to operate at full capacity on site.

Suppliers' delivery times

Latest data signalled the third-steepest lengthening of suppliers' delivery times since the survey began in 1997 (exceeded only by the lockdown disruptions seen last April and May). Survey respondents widely noted that demand had outstripped supply for construction materials. Longer wait times for imported items were also reported in April, with some firms suggesting that Brexit issues had contributed to delays with products and materials arriving from the EU.

Input prices

Input cost inflation remained on a sharp upward curve in April. The seasonally adjusted Input Prices Index rose for the seventh month running and signalled the steepest rate of inflation since the survey began 24 years ago (exceeding the previous record seen in June 2008).

A wide range of inputs were reported as up in price during April, especially steel, timber, transport and imported items.

Quantity of Purchases Index
sa, >50 = growth since previous month

62.3
Apr '21



Suppliers' Delivery Times Index
sa, >50 = faster times since previous month

25.2
Apr '21

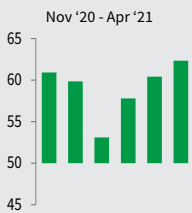


Input Prices Index
sa, >50 = inflation since previous month

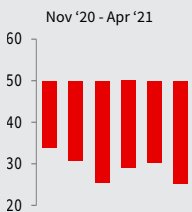
84.6
Apr '21



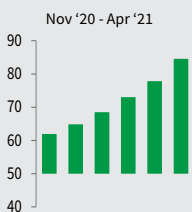
Quantity of Purchases Index



Suppliers' Delivery Times Index



Input Prices Index



Items up in price

- Aggregates
- Asphalt
- Blocks
- Bricks
- Cable
- Capital Equipment
- Carpets
- Cement
- Chips
- Cladding
- Concrete
- Copper
- Drainage
- Electrical Items
- Fuel
- Hardwood
- Insulation
- Imported Items (EU)
- Imported Items (China)

- Metals
- Mortar
- Natural Stone
- Paint
- Plasterboard
- Plastic Pipes
- Plastics
- Plywood
- Rebar
- Sanitaryware
- Sealants
- Steel (all types)
- Timber
- uPVC

Items down in price

- PPE

Items in short supply

- Aggregates
- Asphalt
- Blocks
- Bricks
- Cement
- Chips
- Cold Rolled Products
- Concrete Products
- Domestic Appliances
- Doors
- Equipment
- Glass
- Imports
- Insulation
- Joinery Products
- Kitchen Appliances
- Metals

- Natural Stone
- Non-Standard Products
- Paint
- Plaster
- Plasterboard
- Readymix Concrete
- Roof Tiles
- Sanitaryware
- Site Cabins
- Steel
- Structural Timber
- Timber
- Windows

Subcontractors

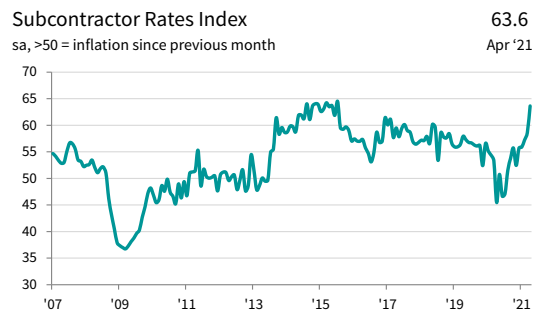
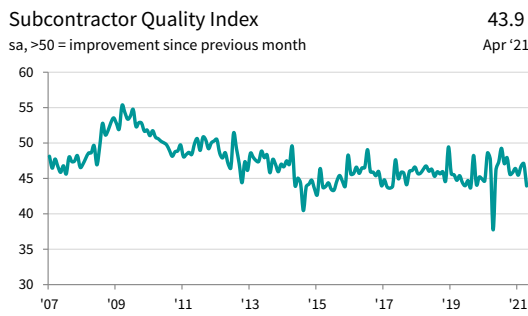
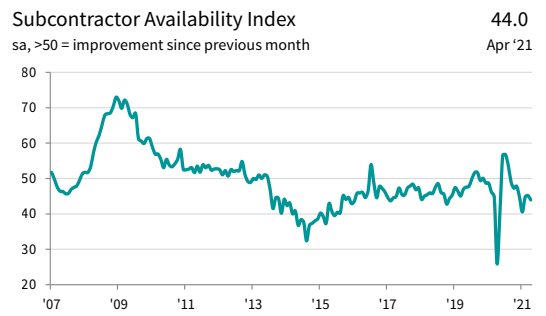
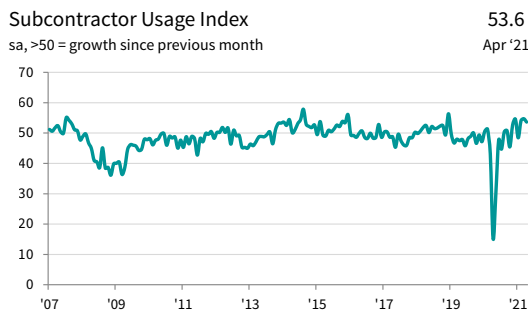
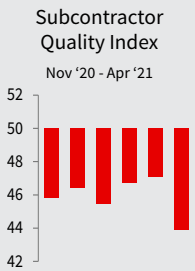
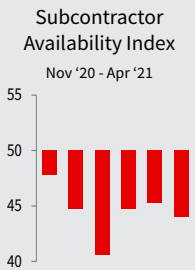
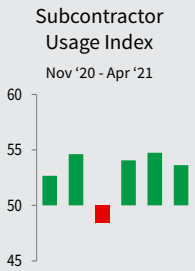
Construction companies reported an increase in sub-contractor usage for the third consecutive month in April. There were again signs of stretched sub-contractor availability, with the rate of decline in this metric the steepest since January.

Rates charged by sub-contractors increased sharply during the latest survey period. Moreover, the pace of inflation accelerated to its fastest for just under six years.

Subcontractors in short supply

Bricklayers
Electricians
Gas Engineers
Groundworkers

Joiners
Paving Masons
Plumbers



Survey panel size

150

construction firms

Index calculation

$$\begin{aligned} & \% \text{ 'Higher' } \\ & + \\ & (\% \text{ 'No change' }) / 2 \\ & + \\ & (\% \text{ 'Lower' }) \times 0 \end{aligned}$$

Survey methodology

The IHS Markit \ CIPS UK Construction PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 150 construction companies. The panel is stratified by company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Total Activity Index. This is a diffusion index that tracks changes in the total volume of construction activity compared with one month previously. The Total Activity Index is comparable to the Manufacturing Output Index and Services Business Activity Index. It may be referred to as the 'Construction PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates and history

April data were collected 12-29 April 2021.

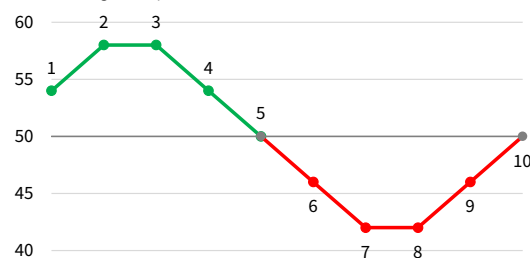
Survey data were first collected April 1997.

Survey questions

Total activity	Quantity of purchases
Housing activity	Suppliers' delivery times
Commercial activity	Input prices
Civil engineering activity	Subcontractor usage
New orders	Subcontractor availability
Employment	Subcontractor quality
Future activity	Subcontractor rates

Index interpretation

50.0 = no change since previous month



1 Growth	6 Decline, from no change
2 Growth, faster rate	7 Decline, faster rate
3 Growth, same rate	8 Decline, same rate
4 Growth, slower rate	9 Decline, slower rate
5 No change, from growth	10 No change, from decline

Sector coverage

Construction PMI data include responses from companies operating in the entire construction sector, including the following ISIC Rev.4 codes:

41 Construction of buildings	electricity and telecommunications	43.29 Other construction installation
41.10 Development of building projects	42.91 Construction of water projects	43.31 Plastering
41.20 Construction of residential and non-residential buildings	42.99 Construction of other civil engineering projects n.e.c.	43.32 Joinery installation
42 Civil engineering	43 Specialised construction activities	43.33 Floor and wall covering
42.11 Construction of roads and motorways	43.11 Demolition	43.34 Painting and glazing
42.12 Construction of railways and underground railways	43.12 Site preparation	43.39 Other building completion and finishing
42.13 Construction of bridges and tunnels	43.13 Test drilling and boring	43.91 Roofing activities
42.21 Construction of utility projects for fluids	43.21 Electrical installation	43.99 Other specialised construction activities n.e.c.
42.22 Construction of utility projects for	43.22 Plumbing, heat and air-conditioning installation	

Index summary

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Total Activity	Housing Activity	Commercial Activity	Civil Engineering Activity	New Orders	Employment	Future Activity*	Quantity of Purchases	Suppliers' Delivery Times	Input Prices	Usage	Subcontractors		
												Availability	Quality	Rates
Nov '20	54.7	59.2	51.9	52.3	58.1	47.2	67.2	60.9	33.9	62.0	52.7	47.8	45.8	52.4
Dec '20	54.6	61.9	51.2	48.0	56.7	50.4	69.8	59.8	30.8	64.9	54.6	44.8	46.4	55.7
Jan '21	49.2	57.1	46.2	45.0	50.7	48.3	66.6	53.1	25.5	68.5	48.4	40.6	45.5	55.9
Feb '21	53.3	56.9	53.0	47.5	55.3	50.5	75.3	57.8	29.0	73.0	54.1	44.7	46.7	57.2
Mar '21	61.7	64.0	62.7	58.0	59.0	52.5	78.4	60.4	30.3	77.8	54.7	45.2	47.1	58.6
Apr '21	61.6	61.2	62.2	61.5	60.9	57.4	75.1	62.3	25.2	84.6	53.6	44.0	43.9	63.6

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About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. ihsmarkit.com/products/pmi.html.