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## News in Review

14 August 2024

*“The construction sector appears to be in the early stages of a strong recovery”*



### **The release last week of a closely watched construction survey offered optimism for the sector and further evidence of the UK’s economic recovery.**

The S&P Global UK Construction Purchase Manager’s Index, a seasonally adjusted measure of activity in construction, jumped to 55.3 in July. This put it above the 52.2 recorded in June and, significantly, signalled a fifth consecutive month of growth.

Analysts noted that the construction sector’s ‘strong recovery’ led to growth at its highest level in more than two years. Some pointed to Labour’s shake-up of planning laws as a possible reason for the boost in activity; others focused on increased customer confidence bringing stalled projects back into action.

Andrew Harker, Economics Director at S&P Global, commented on the “pace of expansion roaring ahead in July”. He added, “Firms saw the strongest increases in new orders and activity since 2022 as paused projects were released amid reports of improved customer confidence.”

An influx of new orders buoyed the growth in activity, experts agreed, with the data revealing the solid foundations of this growth. Indeed, all three key parts of the construction sector – housing, commercial building and civil engineering – recorded improved activity.

Civil engineering led the way, with its sharpest growth for two-and-a-half years. Meanwhile, after a recent slump amid high interest rates, new housing projects saw a welcome return to growth. For the third

consecutive month, construction firms also increased staffing.

Commenting on the data, Peter Arnold, EY UK’s Chief Economist said, “As with the manufacturing and services surveys, the 2024 General Election appears to have injected some month-to-month volatility into the construction survey results, with a soft June followed by a stronger July as uncertainty cleared. The detail of July’s survey was also positive, with new orders growing at the strongest pace in more than two years and hiring and purchasing activity also increasing. After a challenging couple of years, the construction sector appears to be in the early stages of a strong recovery.”

### **Boost to past growth figures**

In other good news for the UK economy, growth in 2022 has been revised sharply upwards in new figures published by the Office for National Statistics (ONS) last Wednesday.

As the UK moved out of the pandemic, the economy picked up by 4.8%, ONS said, as opposed to the 4.3% figure originally estimated. According to the new figures, the UK economy was 2.1% larger at the end of 2022 than it had been pre-pandemic.

Analysts called the revision a ‘boost for Britain’, as the country had previously been thought to be the slowest G7 economy in its pandemic recovery. Likewise, workers were more productive in 2022 than earlier estimates had believed, with output per hour of work up by 0.4%.

While stressing that such revisions are a regular part of producing GDP estimates,

ONS acknowledged that the past few years have been challenging for national statistical institutes. The challenges of taking reliable measurements during the pandemic have led many countries to revise initial estimates, ONS explained.

### **Unemployment falls slightly**

UK unemployment figures released by ONS on Tuesday show a slight drop, at 4.2% in the three months to the end of June, down from 4.4% previously. In the same period, the employment rate was estimated at 74.5% and the economic inactivity rate was estimated at 22.2%.

Meanwhile, wage growth continued to slow, rising at annual rate of 5.4% - its weakest in almost two years.

However, ONS said pay growth remained ‘relatively strong’ with earnings continuing to rise faster than prices.

### **Team GB success**

Team GB athletes have returned to the UK after collecting 65 medals at the Paris 2024 Olympics. The tally for Team GB was 14 golds, 22 silvers and 29 bronzes, matching their total medal haul from London 2012. It is also the joint-third-highest tally for Great Britain at a single Games, behind Rio 2016 (67 medals) and London 1908 (146).

There is more to look forward to with the Paris 2024 Paralympics taking place from 28 August until 8 September.

### **Here to help**

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.

***The value of investments can go down as well as up and you may not get back the full amount you invested.  
The past is not a guide to future performance and past performance may not necessarily be repeated.  
All details are correct at time of writing (14 August 2024)***