

## Construction sector dealt blow as new orders slump to 2009 levels

Written by Angela Monaghan  
Friday, 04 January 2013 14:21

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**Weakness in housing activity dragged the construction sector down in December.**

### ***The Telegraph***

The Markit/CIPS construction PMI — which gives an early indication of output in the sector — fell to 48.7 in December, from 49.3 in November, where anything below 50 signals contraction.

It was a six-month low, and worse than the 49.5 forecast by economists.

The construction sector was dragged down by weakness in housing activity, which was at its lowest since April 2009.

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A deepening construction downturn was also signalled by new orders, which were also at their lowest level since April of that year.

“December rounded off a miserable year for the UK construction sector,” said Tim Moore, senior economist at Markit.

“While some firms cited the unusually wet weather as leading to longer than expected seasonal breaks at the end of 2012, weak underlying demand remains prevalent throughout the sector.”

Companies reported fierce competition for a shrinking pool of new work against a backdrop of subdued business and consumer confidence.

Mr. Moore said respondents to the survey were “relatively subdued” about the 2013 outlook, because clients were warning budgets would be under even greater pressure in the year ahead.

Commercial construction output also contracted, but at a slower pace than housing, while civil engineering activity was the bright spot, growing for a fourth consecutive month.

Employment in the sector fell for a third month in December, albeit at a slower pace than in November.

David Noble, chief executive at CIPS, said the December PMI painted “a depressing picture for the construction sector going into 2013, making it hard to see where a change in fortunes might come from.”

Official data showed construction output fell 2.5pc in the third quarter, and was down 11.2pc on an annual basis at that point.

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The first official estimate of how construction fared in the fourth quarter will be published by the Office for National Statistics at the end of January.

“The construction sector will be fervently hoping that the economy can see sustained growth in 2013 and that this stimulates building work,” said Howard Archer, chief UK economist at IHS Global Insight.

“The sector will also be hoping desperately that the government comes up with more support and initiatives to lift activity on top of the limited help provided in the Autumn Statement.”

The City will closely watch the services PMI out today which should provide a clearer insight into how the economy performed at the end of 2012, given services accounts for around three quarters of the UK economy.