

Cost pressures on the rise for booming construction sector

Price pressures for construction companies are rising at their fastest rate since records began, according to new research, leading to a sharp increase in supplier delivery times.

The latest IHS Markit/CIPS Construction Purchasing Managers' Index (PMI) – an early indicator of economic health – rose to 64.2 from 61.6 a month ago, its highest level since September 2014.

Any number over 50 indicates a growth in output across the industry.

“Despite severe challenges with materials availability, construction firms remain highly upbeat about their near-term growth prospect,” said Tim Moore, economics director at survey compiler IHS Markit.

Construction output is currently rising at its fastest rate since 2014, pushed by a record increase in new orders as lockdown is eased.

Advertisement

This was in line with employment expansion in construction companies, as more work meant the demand for staff shot up at its fastest pace in seven years.

The frenetic growth across the sector was largely driven by the housebuilding industry, underpinned by an annual 10% increase in house prices.

More from Business

Space fund Seraphim in countdown to London stock market launch

New car registrations soar 674% compared with same time last year

G7 finance ministers could give global corporation tax reform real momentum

Ian King Business Podcast: Industry attacks travel restriction changes, G7 targets tax-avoiding tech firms, and textiles get 21st century twist

Passengers and travel industry furious after changes to travel green list

Government's low appetite for risk sparks fury in devastated travel industry



Image:

House prices have gone up by 10%

The data, collected by mortgage lender Nationwide, shows the largest rise in house prices in almost seven years, which hit a fresh record high at an average of £242,832.

This is an increase of £23,930 over the past 12 months.

According to a survey conducted by Nationwide, the majority of buyers would be considering a move even without the tax incentive recently extended by Chancellor Rishi Sunak – although the stamp duty holiday was helping to maintain momentum, the company said.

But some are warning that the kind of growth currently being seen in the construction industry will not last forever.

“Looking ahead, however, growth likely will start to slow as supply-side constraints bite,” said Samuel Tombs, chief economist at Pantheon Macroeconomics.

“Output in March was only 0.3 per cent below its 2019 average, and the further recovery in output since then has led to raw material and labour supply problems.”