

S&P Global UK Construction PMI[®]

Slowest reduction in construction activity for seven months

January 2026

Downturn in construction output eases considerably at the start of 2026

Residential work is the weakest-performing segment

Business optimism highest since May 2025

January data indicated a much slower decline in construction output than at the end of 2025. All three sub-sectors recorded weaker rates of contraction than those seen in December, helped by a more stable demand environment and reports of a gradual turnaround in sales pipelines.

At 46.4 in January, the seasonally adjusted S&P Global UK Construction Purchasing Managers' Index™ (PMI[®]) – a headline index tracking changes in total industry activity – was up sharply from December's five-and-a-half year low of 40.1. The latest reading was the highest since June 2025, but below the 50.0 no-change value for the thirteenth month in a row and indicative of a solid reduction in total industry activity.

House building was the weakest-performing segment in January (index at 39.3), though the pace of contraction eased to its slowest for three months. Survey respondents cited a lack of new residential development projects and subdued demand conditions.

Civil engineering activity also decreased at a sharp pace in January (40.6). Meanwhile, the latest fall in commercial work was the slowest since May 2025 (48.4). Some firms suggested that post-Budget clarity and improved investment sentiment had helped to stabilise demand in the commercial segment.

Total new work decreased to the least marked extent for three months in January. Where order books deteriorated, this was often attributed to risk aversion and fragile confidence among clients (especially in the housing segment). There were nonetheless some reports of a turnaround in public sector work and sales enquiries for commercial projects at the start of 2026.

Business activity expectations for the year ahead continued to rebound from the 35-month low seen last November. Around 38% of the survey panel predict a rise in output volumes during the next 12 months, while 17% foresee a reduction. The resulting index pointed to the highest level of optimism since May 2025, although confidence was still well below the long-run survey average. Anecdotal evidence cited lower borrowing costs, greater infrastructure spending and hopes of a recovery in housing market activity as factors likely to support construction workloads.

S&P Global UK Construction PMI Total Activity

Index, sa, >50 = growth m/m



Data were collected 12-29 January 2026.

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Comment

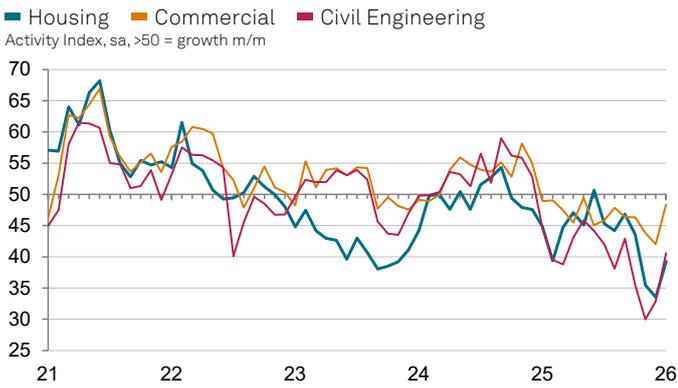
Tim Moore, Economics Director at S&P Global Market Intelligence, said:

"January data provided encouraging signs that the UK construction sector has exited its tailspin, and firms are becoming more hopeful that new projects will get back on track in 2026.

"The latest reduction in total industry activity was the slowest since last June. Commercial work outperformed, with activity moving close to stabilisation amid a post-Budget boost to contract awards. House building weakness persisted, although even here the rate of decline eased considerably since December and was the least marked for three months.

"Construction companies noted subdued underlying demand due to fragile client confidence and elevated risk aversion, but there were some reports of improving investment sentiment and greater sales enquiries at the start of the year. As a result, business activity expectations rebounded to an eight-month high, while the pace of job losses moderated.

"Supply conditions improved again in January. Lead times for the delivery of construction items shortened for the sixth month in a row and subcontractor availability increased at a solid pace. However, margins were under pressure as higher wages and raw material prices led to the sharpest rise in purchasing costs since September 2025."



Source: S&P Global PMI. ©2026 S&P Global.

Meanwhile, a robust and accelerated increase in average cost burdens presented a challenge for construction companies in January. The overall rate of input price inflation was the fastest since last September. Survey respondents noted that suppliers had passed on higher raw material and wage costs. Subcontractor charges also increased at a solid pace, despite a sustained downturn in demand.

Squeezed margins and subdued order books weighed on construction employment. Latest data signalled a solid reduction in staffing numbers, which extended the current period of job losses to 13 months.

Finally, purchasing activity across the construction sector decreased sharply in January. Cutbacks to input buying mostly reflected a lack of new work to replace completed projects. Softer demand and improved materials availability in turn contributed to a sustained improvement in supplier performance. This was highlighted by a shortening of vendor delivery times for the sixth consecutive month.

Methodology

The S&P Global UK Construction PMI® is compiled by S&P Global 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 data were first collected April 1997.

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.

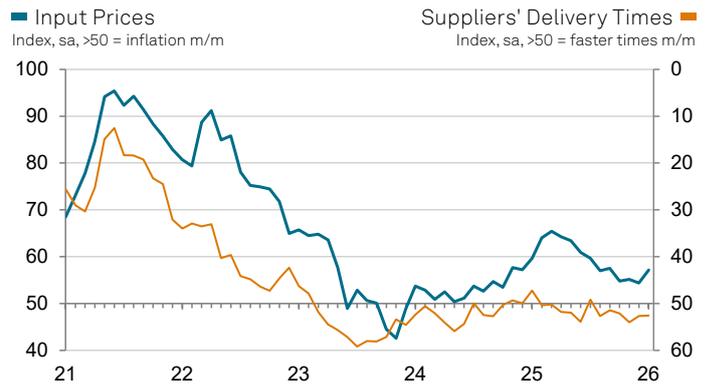
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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

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