

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:30 (UK), 2 July 2014

Markit/CIPS UK Construction PMI[®]

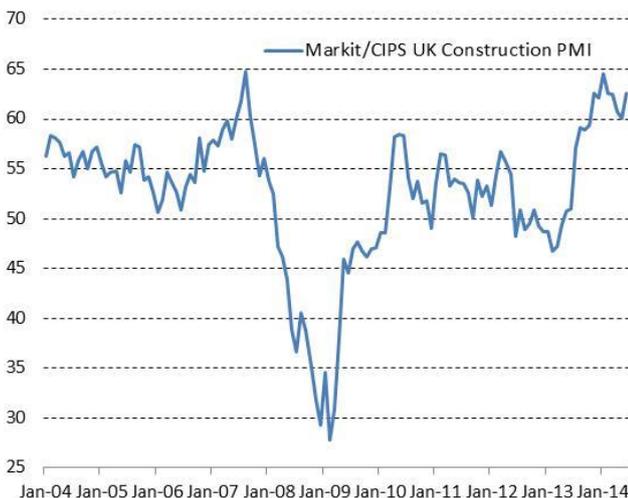
Output growth at four-month high in June, while job creation hits survey-record pace

Key points:

- Fastest expansion of construction activity since February
- Employment growth strongest since the survey began in April 1997
- Input cost inflation at highest level in 2014 to date

Markit/CIPS UK Construction PMI[®]

PMI, Seasonally Adjusted, 50.0 = no-change



Source: Markit/CIPS

June data signalled a strong rebound in growth momentum across the UK construction sector, driven by faster expansions of housing and commercial building activity. Stronger new order volumes and ongoing efforts to boost operating capacity contributed to the steepest rise in employment levels since the survey began in April 1997.

At 62.6 in June, the seasonally adjusted **Markit/CIPS UK Construction Purchasing Managers' Index[®] (PMI[®])** picked up markedly from a seven-month low of 60.0 in May. The headline index has now posted above the 50.0 no-change threshold for 14 months running and the latest reading signalled the strongest pace of overall output growth since February.

Residential construction remained the best performing area of activity during June. The latest rise in housing activity was the steepest since January. Meanwhile, **commercial building** activity also increased at the most marked pace for five months in June, which survey respondents linked to improving economic conditions and greater confidence about the business outlook.

Civil engineering was the only area of activity to record a moderation in growth, with the latest expansion the least marked since September 2013. Anecdotal evidence cited rising spending on infrastructure projects, but some firms noted that the completion of work related to flood relief had contributed to a moderation in overall civil engineering output growth.

Volumes of **new work** received by UK construction companies increased sharply in June and at the fastest pace since January. Stronger demand for new construction projects in turn led to a rapid increase in **staffing levels**, with the rate of job creation accelerating to its sharpest since the survey began over 17 years ago.

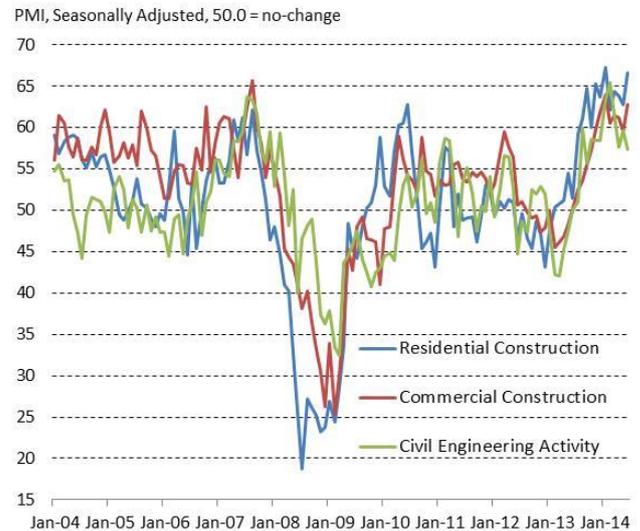
Construction companies remained highly upbeat about the **outlook for business activity** over the year ahead, reflecting strong new order inflows and favourable economic conditions. That said, the degree of positive sentiment slipped to a six-month low in June, with some panel members noting an

increased risk of interest rate rises over the next 12 months.

Meanwhile, sharp rises in **input buying** across the construction sector contributed to a further marked deterioration in **vendor performance**. Survey respondents widely commented on low stocks and a lack of spare capacity at suppliers.

Strong demand for construction materials also contributed to an acceleration in **input cost inflation** to its highest for six months in June. Moreover, the latest rise in **sub-contractor charges** was only slightly less marked than the survey-record high seen in May.

UK Construction PMI® by Category of Activity



Source: Markit/CIPS

Comment:

Tim Moore, Senior Economist at Markit and author of the **Markit/CIPS Construction PMI®**, said:

“UK construction companies started the summer with another surge in house building and commercial activity, which helped to offset a slight moderation in civil engineering growth as temporary projects related to flood relief came to completion.

“The latest survey suggests that the UK construction sector has expanded by more than 1% over the second quarter of 2014, driven by improvements in the underlying health of the UK economy, favourable funding conditions and robust increases in new housing starts.

“A key recent development across the construction sector has been the return to pre-recession rates of job creation, following a prolonged period of falling payroll numbers and cuts to operating capacity.

“Moreover, the latest rise in construction employment was the fastest since the survey began in 1997, which represents a remarkable yardstick of progress as the sector looks to recover the ground lost over the past seven years.”

Commenting on the report, **David Noble, Group Chief Executive Officer at the Chartered Institute of Purchasing & Supply**, said:

“The construction boom ramped up to a four-month high in June, fuelling the strongest rise in job creation in the survey’s history. New orders accelerated sharply this month, with much of the increase driven by the expanding housing market and supported by improved commercial activity. Despite civil engineering taking some heat out of activity, UK construction is well positioned to deliver sustained growth in the coming months.

“Reflecting the strong rebound and favourable economic conditions, firms felt encouraged to take on more staff and boost their operating capacity. These chimed with positive business expectations for the year ahead; although a number of firms highlighted some concerns about the prospect of interest rate rises.

“Whilst the headline figures this month painted a positive picture, let’s not forget about the underlying pressures on building materials and manpower at supplier levels. Delivery times continued to lengthen a great deal and prices were pushed up. Pressure on suppliers needs to be watched if the sector wants to maintain a steady growth trajectory.”

– Ends –

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Notes to Editors:

Where appropriate, please refer to the survey as the Markit/CIPS UK Construction PMI®.

The Purchasing Managers' Survey is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 170 construction companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on the regional and industry contribution to GDP. The survey is based on techniques successfully developed in the USA over the last 60 years by the National Association of Purchasing Management. It is designed to provide one of the earliest indicators of significant change in the economy, being issued on the first working day of each month. The data collected are not opinion on what might happen in the future, but hard facts on what is actually happening at "grass roots" level in the economy. As such the information generated on economic trends pre-dates official government statistics by many months.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) and seasonally adjusted numbers are available to subscribers from Markit. Please contact economics@markit.com.

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About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for 32 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. To learn more go to www.markit.com/economics.

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