



### **News Release**

Purchasing Managers' Index® MARKET SENSITIVE INFORMATION EMBARGOED UNTIL: 09:30 (UK), 4 March 2014

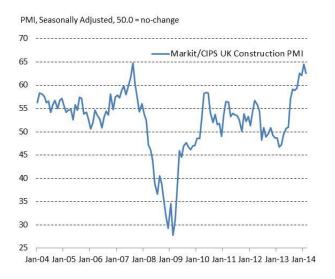
## Markit/CIPS UK Construction PMI®

# Construction output rises sharply, but the pace of expansion eases since January

#### **Key points:**

- Construction activity increases for tenth month in a row
- Civil engineering overtakes housing as strongest area of growth
- Job creation hits three-month high

#### Markit/CIPS UK Construction PMI®



Source: Markit/CIPS

Construction companies indicated another strong overall performance in February, despite output and new business growth easing since the previous month. Job creation meanwhile hit a three-month high and firms remained highly positive about their expectations for business activity over the year ahead.

Adjusted for seasonal factors, the Markit/CIPS UK Construction *Purchasing Managers' Index*®

(PMI®) posted 62.6 in February, down from a 77-month high of 64.6 in January. The index has posted above the 50.0 no-change level in each month since May 2013. Reports from survey respondents suggested that disruptions related to adverse weather conditions had contributed to softer construction output growth in February, especially house building activity.

Residential construction increased sharply in February, but at the slowest pace for four months. Growth of commercial activity also eased in February, and was the least marked since November 2013. Civil engineering activity was the best performing area of construction in February, with the pace of expansion the steepest since the series began in April 1997. Construction firms noted greater spending among local authorities on capital projects and maintenance, in some cases in response to recent flooding and adverse weather conditions.

February data indicated a sharp rise in new work received by construction companies, although the pace of expansion eased to the slowest for four months. Anecdotal evidence cited strong client demand for new projects, but there were some reports that unusually wet weather had a disruptive influence on sales during the latest survey period.

Higher levels of output and new business resulted in further sharp increases in both employment and purchasing activity across the construction sector. The latest rise in staffing levels was the fastest for three months, which some respondents linked to robust confidence about the business outlook. Around six times as many construction companies (59%) expect a rise in output over the year ahead as those that forecast a reduction (10%). There were widespread reports that improving economic

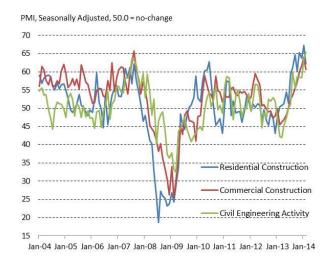




conditions and greater invitations to tender had supported optimism about future business activity.

Strong demand for inputs, alongside low stocks at suppliers, led to another marked lengthening of vendor lead times in February. Survey respondents also noted that supply chain pressures had contributed to higher cost burdens, with the overall rate of input price inflation accelerating from the five-month low recorded in January. Moreover, average rates charged by sub-contractors increased at a survey-record pace during February. This reflected a fall in sub-contractor availability for the eighth month running, which is the longest period of decline since that seen in 2007.

#### UK Construction PMI® by Category of Activity



#### Comment:

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

"Construction output growth succumbed somewhat to the recent wet weather, with temporary disruptions from heavy rainfall most acute for house building activity in February. Consequently, residential work ceded its place as the best performing category to civil engineering, as construction work related to flood relief and infrastructure maintenance rose sharply over the month.

"While some froth has come off overall construction growth in February, the latest data showed that job creation picked up to a pace rarely seen since the summer of 2007. Moreover, in the latest survey there were six construction companies forecasting higher activity over the year ahead for every one anticipating a reduction.

"As a result, there appears an undiminished depth of belief among construction companies that strong growth will be sustained this year, helped by more favourable economic conditions and an ongoing house building recovery."

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

"Bad weather took a bite out of progress in house building, but UK construction remains on a strong growth trajectory in February. The sector was fuelled by the strongest rise in civil engineering activity in the survey's history, as an increase in spending was recorded on investment and infrastructure projects in response to recent flooding. Even though both housing and commercial activity suffered a slide in pace of growth in February, the overall performance was one of continued expansion.

"Rising employment and highly positive business expectations also suggest that the slowdown will only be temporary. Backed by favourable market conditions, firms are continuing to increase staff numbers, hitting a three-month high this month.

"Strong demand is continuing to put pressure at a supplier level, with vendors battling with low stocks and prices increasing as a result. While delivery times are still deteriorating, they are at least doing so at the slowest rate since August 2013, suggesting that the very worst of the squeeze has passed."

- Ends -





#### **Contact Information:**

#### For economics comments, data and technical queries, please call:

#### **Markit Press Office**

Alex Brog, Corporate Communications

Telephone: +44 207 264 7602 Email: <u>alex.brog@markit.com</u>

#### For industry comments, please call:

#### **CIPS**

Trudy Salandiak Tel: +44 1780 761576

Email: trudy.salandiak@cips.org

## Hill & Knowlton Edward Jones

Tel: +44 (0)20 7413 3217

Email: edward.jones@hkstrategies.com

#### **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 predates 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 <a href="mailto:economics@markit.com">economics@markit.com</a>.

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#### About PM

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 <a href="https://www.markit.com/economics">www.markit.com/economics</a>.

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