

## News Release

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:30 (UK), 3 June 2014**

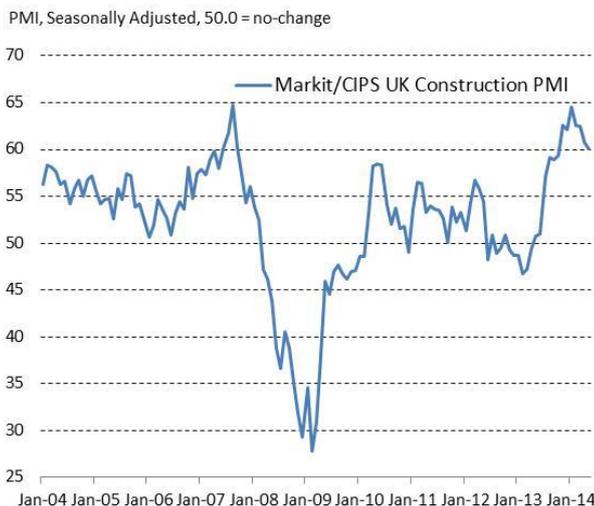
### Markit/CIPS UK Construction PMI®

## Sharp rise in construction output, but pace of expansion eases to slowest since October 2013

#### Key points:

- House building remains strongest performing area of activity
- Weakest rise in commercial work for seven months
- Sharpest increase in sub-contractor charges since the survey began in April 1997

#### Markit/CIPS UK Construction PMI®



Source: Markit/CIPS

May data indicated another sharp increase in UK construction output, although the latest survey suggested that momentum continued to ease from the post-crisis highs seen earlier in the year. This was highlighted by the seasonally adjusted **Markit/CIPS UK Construction Purchasing Managers' Index® (PMI®)** falling from 60.8 in April to 60.0 in May. The headline index was above the 50.0 no-change level for the thirteenth successive

month, but the latest reading signalled the slowest pace of expansion since October 2013.

Slower overall construction output growth largely reflected a moderation in **commercial building** activity, with the latest expansion in this sub-category the weakest for seven months. **Residential building** remained the strongest performing area of activity, despite the pace of growth easing slightly to a three-month low. Meanwhile, **civil engineering output** increased at a robust rate that was faster than in April.

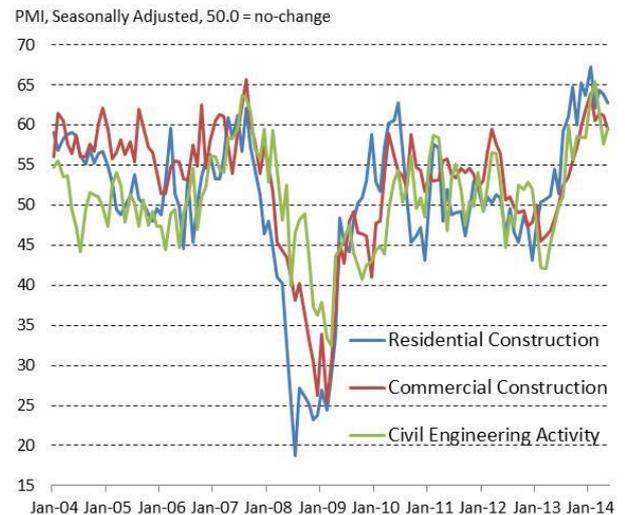
Anecdotal evidence widely linked the latest upturn in construction output to improving economic conditions and greater underlying demand, especially in terms of investment spending and new housing starts. May data pointed to another strong increase in overall **new business** volumes, although the rate of expansion eased since the previous month.

Higher levels output and incoming new work contributed to a rise in **staffing levels** for the twelfth successive month in May. The current period of construction sector job creation is the longest recorded since that seen from mid-2006 to early-2008. Increased payroll numbers partly reflected strong confidence regarding the **12-month outlook** for the construction sector. More than half of the survey panel anticipate a rise in business activity over the year ahead, while only 4% forecast a reduction.

The latest survey pointed to another steep increase in demand for construction materials, with **input buying** rising at the fastest pace for three months. Moreover, **supplier lead times** lengthened markedly in May, with survey respondents widely noting shortages of stock and supply-chain bottlenecks.

Meanwhile, **sub-contractor availability** fell at the sharpest pace since August 1997, despite construction firms reporting a moderate decrease in the proportion of work undertaken by sub-contractors in May. Latest data also indicated that **rates charged by sub-contractors** increased at the steepest pace since the survey began over 17 years ago. There was nonetheless some slightly better news in terms of raw material costs during May, as construction companies indicated that **input cost inflation** eased for the third month running to its weakest since July 2013.

### 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:

*“Output growth hit a seven-month low in May, but the UK construction sector is enjoying its strongest overall phase of expansion since the summer of 2007. Residential building remains a key engine of growth, with survey respondents citing another surge in new house building starts during May.”*

*“The latest survey highlights that the construction sector is now experiencing its longest period of job creation for six years. Strengthening demand for construction staff arrived amidst the fastest drop in sub-contractor availability since August 1997, which in turn contributed to a survey-record rise in sub-contractor charges in May.”*

*“UK construction output is still around 10% lower than its pre-crisis peak, but there were further indications of capacity strains in May as companies reported sharply lengthening delivery times for raw materials as well as the steepest drop in the availability of sub-contractors for almost 17 years.”*

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

*“UK construction activity has shown signs of moderation from the steep growth seen at the start of the year; but strong expansion in new business and improving economic conditions reflected particularly well on business optimism and outlook for the year ahead. Importantly, this was supported by a sharp increase in employment levels, an indication that this latest upturn will continue to expand.”*

*“Residential house building has been leading the way with activity in May, still buoyant on the back of stronger new work and investment spending. In conjunction with a strong expansion of civil engineering activity, these performances were able to offset to a certain degree this month’s slower growth in commercial activity.”*

*“Meanwhile, sub-contractor capacity fell to the strongest rate since August 1997 and delivery times continued to lengthen, as suppliers struggle to make up the gap in output. Consequently, with supply constraints still persisting, there are some concerns about how this prolonged period of growth can be sustained over the course of 2014.”*

– 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](mailto: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](http://www.markit.com/economics).

#### About CIPS

The Chartered Institute of Purchasing & Supply (CIPS) is the world's largest procurement and supply professional organisation. It is the worldwide centre of excellence on purchasing and supply management issues. CIPS has a global community of over 100,000 in 150 different countries, including senior business people, high-ranking civil servants and leading academics. The activities of procurement and supply chain professionals have a major impact on the profitability and efficiency of all types of organisation and CIPS offers corporate solutions packages to improve business profitability. [www.cips.org](http://www.cips.org)

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