

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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Markit/CIPS UK Construction PMI®

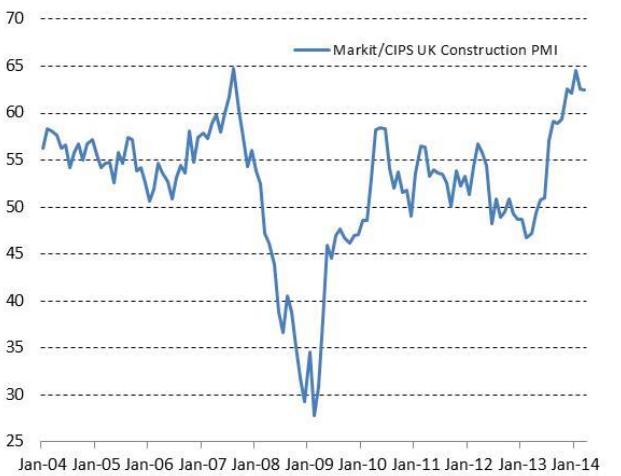
Construction firms report brightest outlook for business activity since January 2007

Key points:

- Confidence about the 12-month outlook hits highest level since January 2007
- Overall output growth broadly unchanged in March...
- ...with housing the best performing construction category

Markit/CIPS UK Construction PMI®

PMI, Seasonally Adjusted, 50.0 = no-change



Source: Markit/CIPS

March data signalled a strong overall performance for the UK construction sector, with sharp rises in activity and employment maintained during the latest survey period. Although new business growth slipped to a six-month low, construction firms remain highly upbeat about the prospects for output over the year ahead. Reports of improving underlying demand and more favourable business

conditions helped business optimism reach its highest level since January 2007.

Adjusted for seasonal factors, the **Markit/CIPS UK Construction Purchasing Managers' Index® (PMI®)** posted 62.5 in March, little changed from 62.6 in the previous month but lower than the near six-and-a-half year high recorded during January (64.6). Nonetheless, the latest reading signalled a steep overall expansion of UK construction activity, and the index has now registered above the 50.0 no-change value for 11 months in a row.

Housing activity regained its place as the best performing category of construction in March, driven by improving underlying demand across the sub-sector. The upturn in residential construction growth partly reflected a rebound in output following some weather-related disruptions in the previous month.

Meanwhile, the rate of **civil engineering** output growth slowed markedly in March, following a flood relief driven survey-record high during February. **Commercial construction** activity continued to rise sharply amid improving economic fundamentals, with the pace of expansion again close its fastest since the summer of 2007.

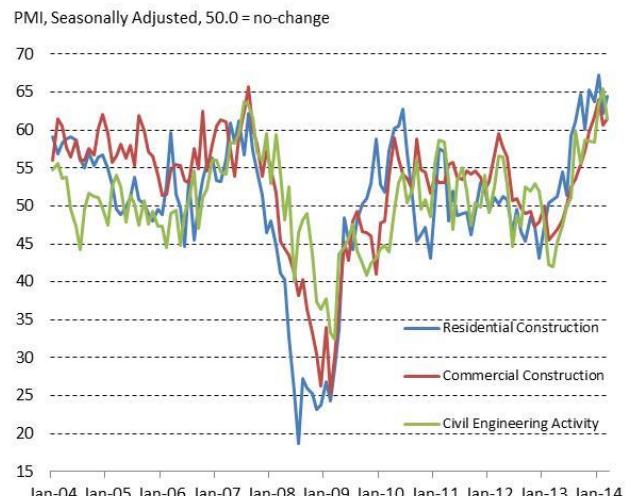
Volumes of **new work** increased for the eleventh successive month in March, although the rate of expansion eased to its least marked since September 2013. Increased work on new projects contributed to a sharp rise in **employment** numbers across the construction sector. The rate of job creation picked up over the month and was the second-fastest since August 2007.

Increased staffing levels were partly linked to improving confidence about the **outlook for construction activity** over the next 12 months. The degree of positive sentiment was the highest since January 2007, with around 59% of survey

respondents anticipating a rise over the year ahead and only 5% forecasting a reduction.

Input buying continued to increase sharply and cost inflation remained strong in March. There were further signs of strains on supply chains, as **delivery times** for raw materials lengthened to the second-greatest extent since July 1997, exceeded only by the deterioration experienced last November. There were widespread reports that pressures on supplier capacity had resulted in longer lead-times. Meanwhile, construction firms also indicated that **sub-contractor availability** decreased at the fastest pace since September 2000.

UK Construction PMI® by Category of Activity



Comment:

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

"House building reclaimed its place as the main driving force behind the resurgent UK construction sector in March, following some weather-related disruptions during the previous month."

"The rise in residential construction was one of the sharpest experienced over the past ten years, helped by strong demand for new development projects and supportive funding conditions."

"Improving economic fundamentals led to a faster rise in commercial activity during March, while civil engineering growth eased sharply from the survey-record high seen amid the flood relief efforts in February."

"Expectations for construction growth over the year ahead have now reached their highest since the start of 2007, and a strong pipeline of new work is fuelling job creation across the sector."

"However, the latest survey does little to dispel concerns that supplier capacity will become a fly in the ointment. Lead-times for the delivery of construction materials lengthened in March by one of the greatest amounts since the survey began in April 1997, while sub-contractor availability fell at the fastest rate for thirteen-and-a-half years."

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

"Confidence in construction is soaring thanks to the budget boost and dissipating impact of the floods in a ringing endorsement the recovery will continue. Optimism is at its highest level since January 2007, complemented by an 11th consecutive month of increased activity. This is reflected in employment too where the sector maintained expansion and grew at its fastest pace in 4 months."

"As the rain gave way to sun, the housing market reclaimed its spot as the star performer. Commercial activity continued to rise strongly, benefitting from the positive business conditions. By contrast, civil engineering activity slowed somewhat, perhaps not that surprising following last month's stellar figures."

"The rapid pace of expansion, which started last summer, is continuing to stretch resources and supplier capacity however, with delivery times lengthening to a level seen only once since July 1997. Supply constraints have now been around for a long time, and with rising cost inflation, are a growing concern that could hold the sector back."

– 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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