



News Release

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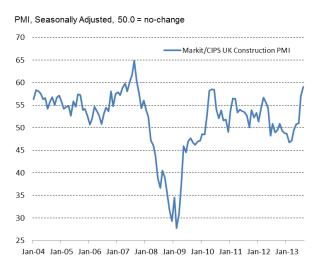
Markit/CIPS UK Construction PMI®

Sharpest expansion of construction output for almost six years in August

Key points:

- Total output rises at fastest pace since September 2007
- Residential construction remains strongest performing sector
- Sharp improvement in incoming new business

Markit/CIPS UK Construction PMI®



August data indicated another strong improvement in the overall performance of the UK construction sector, as highlighted by steep and accelerated expansions of both output and new business volumes. Construction companies also remain confident about the year-ahead outlook for business activity at their units, with around 46% of survey respondents expecting a rise and only 10% a reduction.

Adjusted for seasonal influences, the headline Markit/CIPS UK Construction *Purchasing Managers' Index*® (*PMI*®) registered 59.1 in August,

up from 57.0 in July and above the neutral 50.0 value for the fourth consecutive month. The latest reading indicated a sharp rise in total business activity and the fastest pace of output expansion in the construction sector since September 2007.

Increased volumes of construction output reflected growth in all three broad areas of activity monitored by the survey in August. Residential construction remained the strongest performing sub-sector, with output rising at the fastest pace since June 2010. August data also highlighted a steep acceleration in the rate of civil engineering activity growth to its strongest since September 2007. Meanwhile, commercial construction activity increased at the most marked pace since May 2012.

UK construction companies widely reported that the latest upturn in business activity was supported by a strong improvement in spending among clients. August data signalled that incoming new work increased sharply and at the fastest rate since March 2012. Anecdotal evidence from survey respondents generally cited higher levels of housing-related demand and greater levels of public sector infrastructure spending.

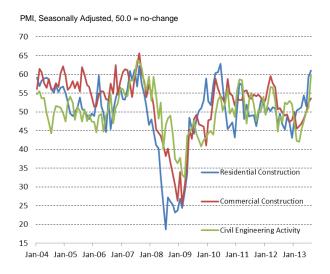
Higher levels of new business helped maintain confidence in the year-ahead outlook for construction output. August data pointed to a strong degree of positive sentiment regarding the prospects for business activity over the next 12 months. Construction companies mostly linked their confidence to improvements in the wider economy and resulting increases in clients' willingness-to-spend. This in turn had a positive impact on job hiring in August, with construction employment rising for the third month running and at a solid pace.





Meanwhile, another strong expansion of business activity in August contributed to a robust rise in purchasing activity across the construction sector. The latest rise in input buying was the fastest since March 2012. Greater demand for construction inputs placed pressure on suppliers' operating capacity, as highlighted by delivery times lengthening to the greatest degree since June 2007. Alongside this, August data signalled the fastest increase in average cost burdens since December 2011.

UK Construction PMI® by Category of Activity



Comment:

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

"The latest Construction PMI figures are yet another indication that the UK economy has performed impressively over the summer months. A steep upturn in civil engineering activity suggested that public sector demand has joined residential building as a key driver of construction output growth during August.

"With overall output levels now rising at the fastest pace for around six years, it seems highly likely that the construction sector will provide another positive contribution to UK GDP in the third quarter of 2013.

"New public sector infrastructure spending looks to have started making an impact on the ground, and this was a contributory factor behind the sustained construction sector job creation seen in August." Commenting on the report, David Noble, Chief Executive Officer at the Chartered Institute of Purchasing & Supply, said:

"A new dawn is breaking in construction. The industry recorded the fastest pace of growth since 2007 in August, leaving the dark days of recession behind. Builders have seen a step change in recent months and are now starting to show their true potential to the UK economy. Nowhere is this more true than in new business, where growth is at its second-strongest in almost six years, leading to more jobs and increasing confidence.

"Robust expansion can be seen in all three subsectors; house building is rising at a rate not seen since mid-2010, commercial growth is also strong, but it is the strongest growth in six years recorded in civil engineering that is a real cause for optimism and a sure sign the sector has overcome its previous difficulties.

"This new direction brings new challenges, not least the prospect of additional work and insufficient





capacity to meet demand. How the sector navigates these tensions and manages the supply chain could come to define its performance over the coming months."

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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 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 economics@markit.com.

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About PMIs

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.

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

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