

News Release

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

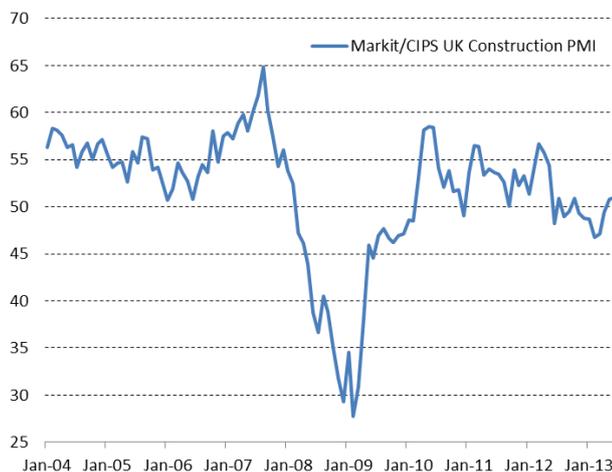
Increased residential building activity boosts UK construction sector in June

Key points:

- Construction activity rises for second month running
- Overall output growth driven by increased housing activity
- New order growth hits 13-month high in June

Markit/CIPS UK Construction PMI®

PMI, Seasonally Adjusted, 50.0 = no-change



UK construction companies indicated a further moderate rise in business activity during June. This was highlighted by the seasonally adjusted **Markit/CIPS UK Construction Purchasing Managers' Index® (PMI®)** posting 51.0, up fractionally from 50.8 in May and above the 50.0 no-change value for the second month running. The latest reading was the strongest since May 2012. Higher output levels were driven by a solid rate of new order growth in June, and this in turn contributed to rising employment levels in the construction sector during the latest survey period.

June data indicated that overall output growth in the UK construction sector was underpinned by a fifth consecutive monthly rise in residential building activity. Although housing activity was the strongest performing sub-sector in June, the rate of output expansion eased from May's 26-month high. Meanwhile, levels of business activity stabilised during June in the commercial and civil engineering sub-sectors, thereby ending four-month and five-month periods of decline respectively. In the civil engineering sector, companies suggested that new tender wins had supported output levels.

New business received by UK construction companies increased for the second month running in June. The rate of new order growth accelerated since May and was the strongest for just over a year. Anecdotal evidence pointed to signs of an upturn in underlying client demand and stronger levels of new work in the house building sector.

Higher levels of incoming new work boosted construction firms' expectations for output over the next 12 months. June data indicated that around four times as many companies (41%) anticipate a rise in business activity as those that forecast a drop (10%). This meant that the overall degree of business confidence in the construction sector was the strongest since April 2012.

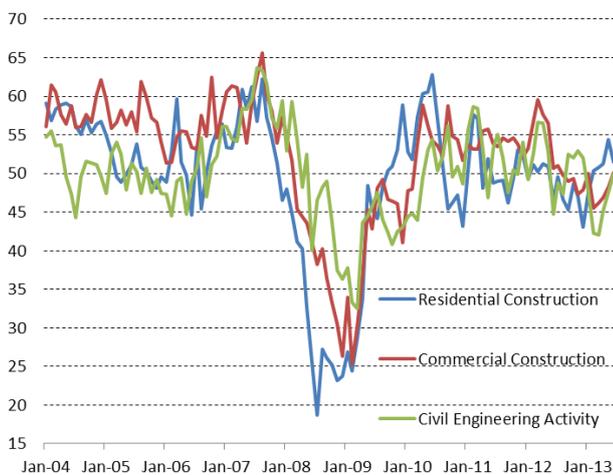
Improved expectations about the business outlook and rising levels of new work underpinned a rise in construction workforce numbers for the first time since February. Although the latest survey signalled only a moderate rise in employment levels, the rate of job creation was the most marked since September 2012.

Increased workloads encouraged construction companies to raise their volumes of input buying in

June, which ended a 12-month period of falling purchasing activity. Meanwhile, supplier performance continued to deteriorate and higher average cost burdens placed pressure on margins. The rate of input price inflation in June was only fractionally slower than May's five-month high.

UK Construction PMI[®] by Category of Activity

PMI, Seasonally Adjusted, 50.0 = no-change



Comment:

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

“June’s construction data is one of the final pieces in the puzzle when it comes to survey evidence for second quarter UK economic performance, and the sector’s upturn adds to the upbeat news flow ahead of Mark Carney’s first policy meeting at the Bank of England later this week.”

“The improvement in overall construction output simultaneously raises chances of strong second quarter UK GDP growth, and reduces the likelihood of imminent additional policy stimulus from the Bank of England.”

“Although the construction sector faces a long and fragile road to recovery, June’s survey highlights a nascent turnaround in optimism about future output levels in the sector. House building remains the mainstay of growth, helped by government incentive schemes, while it was also encouraging to see civil engineering and commercial building stabilise after protracted declines in 2013 so far.”

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

“A new dawn is emerging in the construction industry, with confidence of a sustained recovery beginning to build thanks to two months of consecutive output growth and the pace of new orders expansion hitting a 13 month high. Housing is the leading light sustaining last month’s performance, meanwhile commercial and civil engineering activity stabilised, arresting months of decline giving further cause for optimism.”

“The strongest growth in new business orders for over a year is also driving employment upwards, resulting in confidence hitting its highest level since April 2012. This enthusiasm may also have been bolstered by the Government’s support for new house building. Whether expectations match reality, only time will tell.”

“Suppliers still bear the scars of the recession, reflected in a lack of stock and limited capacity. Coupled with higher average cost burdens, this is placing pressure on supply chains and cost margins. This needs to be rectified, if the sector is to build on this momentum.”

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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.

About Markit

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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 94,000 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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