



News Release

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

Strongest construction output growth since June 2010, led by surge in housing activity

Key points:

- Business activity rises for third month running
- Residential construction increases at fastest pace since June 2010
- Steepest improvement in new order levels since April 2012

Markit/CIPS UK Construction PMI®



UK construction companies indicated that the rebound in output levels indicated during the second quarter of 2013 was maintained into July. Moreover, the latest survey signalled that growth of both business activity and incoming new business accelerated sharply since the previous month. This in turn resulted in a solid increase in construction employment levels and the strongest degree of positive sentiment about future output since May 2010.

At 57.0 in July, up sharply from 51.0 in June, the seasonally adjusted Markit/CIPS UK Construction

Purchasing Managers' Index[®] (PMI[®]) pointed to a robust and accelerated expansion of overall business activity in the construction sector. The index was above the 50.0 no-change value for the third month running, and the latest reading signalled that the rate of output growth picked up to its fastest since June 2010.

Higher levels of business activity were recorded in all three broad areas of the construction sector monitored by the survey in July. However, residential building activity was by far the strongest performing category, with output growth surging to its steepest since June 2010. Growth of housing activity has now been recorded for six months running. Meanwhile, civil engineering activity returned to expansion in July, and commercial construction output rose at the most marked pace since May 2012.

Construction companies widely linked the acceleration in output growth to stronger inflows of new business in July. Latest data pointed to an increase in new orders for the third month running and the steepest rate of growth since April 2012. Anecdotal evidence suggested that a marked improvement in demand within the house building sector had underpinned the expansion in new business inflows, alongside a general rise in client spending amid signs of better conditions across the wider UK economy.

Increased volumes of new work contributed to a further upturn in construction firms' confidence about the 12-month business outlook. The degree of positive sentiment reached its strongest since May 2010, with survey respondents widely commenting on expectations that improving market conditions would lead to greater sales and new project wins over the year ahead. This in turn led to a rise in employment levels for the second month running and the

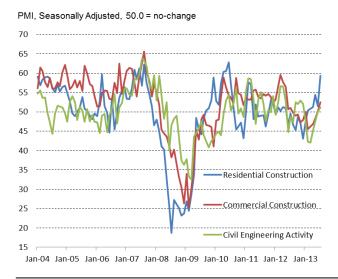




strongest pace of job creation in the sector since December 2011.

Meanwhile, the latest upturn in construction output led to a sharp rise in purchasing activity in July. There were signs that this placed further strains on suppliers to the construction sector, with vendor lead-times lengthening to the greatest degree since June 2007, while cost inflation picked up to its fastest for nine months.

UK Construction PMI® by Category of Activity



Comment:

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

"July's survey highlights a new wave of optimism across the UK construction sector, with companies reporting a pace of expansion in excess of anything seen over the past three years. The swing back to output growth broadened to include commercial and civil engineering activity during July, although housing construction remains the one thing crucial to the sector's strong upturn at present.

"Construction firms saw the fastest improvement in new orders for over a year, which helped kick-start job creation and input buying growth during July. A switch to sharply rising purchasing activity may have caught some suppliers by surprise, as delivery times lengthened to the greatest degree in over seven years." Commenting on the report, David Noble, Chief Executive Officer at the Chartered Institute of Purchasing & Supply, said:

"Homes are the beating heart of this rapid recovery in the construction sector, backed by a solid expansion in civil engineering and commercial activity. Better economic conditions, a jump in new business activity and the strongest level of confidence since the era of austerity began in 2010, strongly suggest this growth can be sustained into Q3.

"This rising confidence goes hand in hand with increasing output, underpinned by the expansion in new business orders, which was the steepest since April 2012. As a result, firms are starting to believe this is the real deal for the recovery, demonstrated by the strongest pace of job creation since December 2011.

"One constraint on the sector is the pressure on suppliers to meet the sharp rise in demand. Suppliers have been surprised by the speed and scale of the revival leading to lengthy delivery times





due to a shortage of capacity based on hard learnt lessons over the past few years. This will be something to watch in 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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