

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:30 (UK), 3 January 2014

Markit/CIPS UK Construction PMI[®]

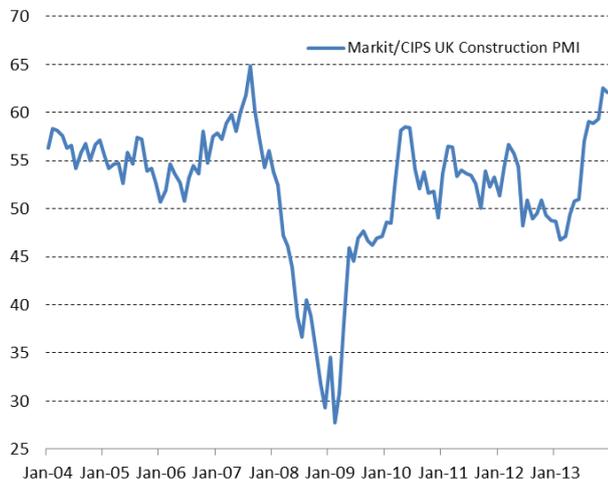
Sharp rate of construction output growth maintained in December

Key points:

- Strong output rises recorded in all three broad areas of construction activity
- Fastest increase in commercial work since August 2007
- Positive outlook reported for construction activity in 2014

Markit/CIPS UK Construction PMI[®]

PMI, Seasonally Adjusted, 50.0 = no-change



Source: Markit/CIPS

UK construction companies remained in expansion mode at the end of 2013, as highlighted by relatively sharp rises in output, new orders and employment during the latest survey period. Survey respondents also anticipate an increase in business activity over the course of 2014, with the proportion of firms forecasting growth (57%) well above those that expect a decline (10%).

Adjusted for seasonal factors, the **Markit/CIPS UK Construction Purchasing Managers' Index[®] (PMI[®])** was down only slightly from November's 75-

month peak. At 62.1 in December, from 62.6 in the previous month, the index was well above the 50.0 value that separates expansion from contraction. Moreover, the latest reading marked eight months of continuous output growth in the UK construction sector.

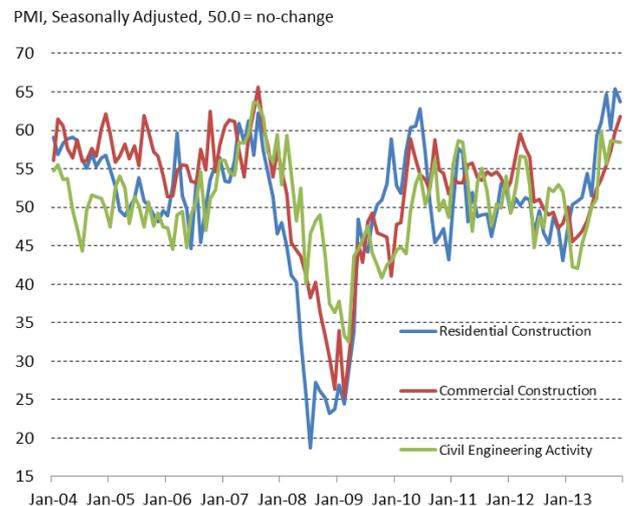
Higher levels of business activity reflected strong rates of expansion in all three broad categories of construction output monitored by the survey. Residential activity remained the fastest growing area of construction, but it was also the only category to post a slower pace of expansion than in November. Meanwhile, work on commercial projects rose at the steepest rate since August 2007 and civil engineering activity increased at the same pace as that reported in the previous month.

Construction companies noted that improving business conditions and greater confidence in the economic outlook had boosted spending among clients during December. Higher levels of incoming new work have been recorded in each of the past eight months. Although the rate of new order growth eased since November, the latest expansion was one of the steepest seen since late-2007. This in turn contributed to a robust degree of optimism about the outlook for business activity during the year ahead. Moreover, the proportion of companies expecting an increase in output levels (57%) is much higher than was recorded just before the start of 2013 (31%).

Stronger business confidence and a sustained improvement in new order levels continued to drive staff recruitment in the construction sector during December. Increased workforce numbers have now been recorded for seven consecutive months, which is the longest continuous period of job creation for around five-and-a-half years. Construction companies also pointed to the fastest rise in sub-contractor usage since April 2004.

Meanwhile, suppliers' delivery times lengthened sharply at the end of 2013, as increased purchasing volumes placed pressure on stock availability. Strong demand for inputs contributed to a further rise in cost burdens in December. Latest data indicated that the rate of input price inflation was little-changed since November, and remained at a level rarely exceeded during the past two-and-a-half years.

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 survey highlights that construction companies enter 2014 with the wind in their sails. Most encouragingly, the improving UK economic outlook is helping boost private sector spending patterns, meaning that the construction recovery has started to broaden out from housing demand and infrastructure projects to include strong growth in commercial building work.

“Over half of all survey respondents anticipate increased output levels during the course of 2014, which is up sharply from one-in-three construction firms that expected growth at the same time one year ago.

“Stronger growth expectations and fuller order books are continuing to fuel job creation in the construction sector. Higher employment numbers have now been reported for seven successive months, and these efforts to meet a sudden turnaround in UK construction demand should help keep staffing levels moving strongly upwards into 2014.”

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

“Continued strong expansion marked an outstanding end to 2013 for UK construction, positioning the sector on a solid recovery path for 2014. Whilst housing remained the fastest growing activity and civil engineering maintained its pace, commercial activity reported the sharpest rate of expansion since August 2007; an indicator of the broadening out of the recovery. The positive business outlook and soaring confidence reported in December suggests this upswing will be maintained well into the New Year.

“It is pleasing to see the growth in the sector leading to such significant hiring of staff. As construction reported its strongest quarterly performance since Q3 2007 and as levels of new orders continue to rise, job creation is ramping up and has now been increasing for seven consecutive months. This is a good sign that activity will remain strong in the months ahead.

“The natural consequences of the rapid jump in construction activity during 2013 have been the continued squeeze on stocks at supplier level and the lengthening of delivery times. These pressures, alongside increasing business costs, will remain in 2014, but with hopes that they won't prolong.”

– 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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