

Embargoed until 0930 London (0830 UTC) 2 May 2019

IHS MARKIT / CIPS UK CONSTRUCTION PMI®

House building helps UK construction sector return to growth in April

KEY FINDINGS

Construction output rises for the first time since January

Residential work expands at fastest pace for four months

Civil engineering and commercial activity fall again

April data pointed to a marginal expansion of UK construction output, driven by the fastest rise in house building so far in 2019. Commercial work and civil engineering activity continued to decline, but at slower rates than in March.

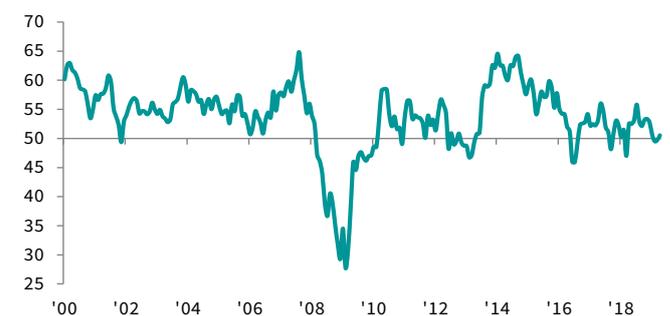
The forward-looking survey indicators nonetheless remained subdued in April, with new orders falling for the first time since May 2018 and business optimism easing to its lowest since last October. Concerns about the demand outlook resulted in more cautious staff hiring strategies in April, as highlighted by the first fall in workforce numbers since July 2016.

At 50.5 in April, up from 49.7 in March, the headline seasonally adjusted **IHS Markit/CIPS UK Construction Total Activity Index** posted above the neutral 50.0 threshold for the first time since January. The latest reading signalled a modest expansion of overall construction output, which contrasted with the declines seen in each of the previous two months.

House building was by far the strongest performing area of construction work in April. Latest data revealed a solid expansion of residential work, with the rate of growth reaching its highest since December 2018. Survey respondents commented on resilient demand conditions and a strong flow of new buyers.

Commercial work was the weakest area of construction output in April, which continued the trend seen during the first quarter of 2019. A number of firms linked lower commercial construction to Brexit-related uncertainty and delays with client spending decisions. Civil engineering activity also

Total Activity Index
sa, >50 = growth since previous month



decreased in April, although the rate of contraction was only marginal. Some firms commented on a lack of new work to replace completed infrastructure projects.

Construction companies indicated a modest decline in total new orders during April. The fall in new work was the fastest recorded since March 2018. Anecdotal evidence suggested that political uncertainty, softer UK economic growth projections and subdued demand for new commercial projects had all contributed to fewer tender opportunities.

Employment numbers fell slightly during April, which ended more than two-and-a-half years of sustained expansion. Survey respondents noted that lower business optimism and falling sales volumes had held back staff hiring.

Meanwhile, supplier performance deteriorated sharply in April, despite subdued demand for construction materials. The latest lengthening of vendor lead times was the greatest recorded since February 2015. Construction companies widely commented on low stocks and capacity constraints among vendors.

Stretched supply chains and rising raw material prices contributed to higher purchasing costs across the construction sector. The rate of input price inflation accelerated for the third month running and was the fastest since November 2018. Adding to pressures on operating expenses, latest data also pointed to a robust and accelerated increase in rates charged by sub-contractors in April.

COMMENT

Tim Moore, Associate Director at IHS Markit, which compiles the survey:

"A return to growth would normally be considered a positive month for the UK construction sector, but the weakness outside of house building gives more than a little pause for thought. Commercial activity and civil engineering both remained on a downward path in April as political uncertainty led to delays with spending decisions.

"Residential work retained its position as the sole driver of growth across the three main segments of construction activity. Survey respondents once again noted that residential projects were buoyed by strong demand for new homes, low mortgages rates and first-time buyer incentives.

"On the supply side, sub-contractor availability worsened and construction firms continued to report low stocks among suppliers in April. Latest data revealed the greatest lengthening of lead times for construction inputs since February 2015, reflecting ongoing capacity pressures across the supply chain.

"The forward-looking survey indicators remain subdued, with the UK construction sector recording a drop in business optimism during April and the largest fall in new work for over one year. A lack of new work has started to impact on staff recruitment, as signalled by a reduction in payroll numbers for the first time since July 2016. This provides another signal that construction firms are bracing for an extended period of soft demand ahead."

Duncan Brock, Group Director at the Chartered Institute of Procurement & Supply:

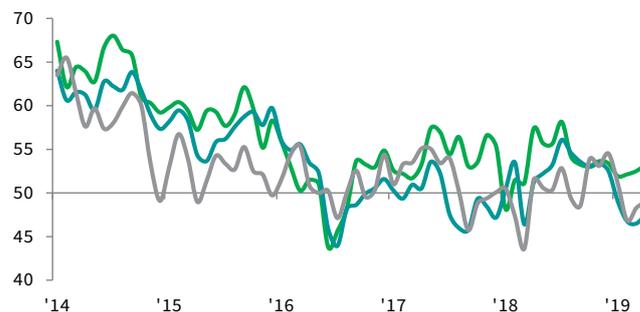
"The strongest rise in residential building since December 2018 was the only saviour of a sector otherwise heading for contraction again this month as deferred client decisions continued to impact on larger commercial and infrastructure projects, throwing the industry off-balance.

"Although the sector marginally moved into growth territory in April, there's a huge question mark over whether there will be any further improvements in the coming months as new orders fell for the first time since May 2018. This lack of pipeline work has made firms more cautious about their hiring strategies with the first fall in employment levels since July 2016 in a bid to curb their rising costs and reduce their excess capacity.

"With the fastest rise in input costs since November 2018, material shortages, and stagnating workloads, the sector is slowly coming to terms with this new landscape of Brexit stalemate and its impacts with business optimism going through its worst phase since 2013."

Activity Index by construction category
 Housing / Commercial / Civil Engineering

sa, >50 = growth since previous month



CONTACT

IHS Markit

Joanna Vickers
 Corporate Communications
 T: +44-207-260-2234
joanna.vickers@ihsmarkit.com

CIPS

Trudy Salandiak
 Corporate Communications
 T: +44-1780-761576
trudy.salandiak@cips.org

Methodology

The IHS Markit /CIPS UK Construction PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 150 construction companies. The panel is stratified by company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Total Activity Index. This is a diffusion index that tracks changes in the total volume of construction activity compared with one month previously. The Total Activity Index is comparable to the Manufacturing Output Index and Services Business Activity Index. It may be referred to as the 'Construction PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

April 2019 data were collected 10-29 April 2019.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 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 ihsmarkit.com/products/pmi.html.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, click [here](#).

About CIPS

The Chartered Institute of Procurement & 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 200,000 in over 150 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