

Embargoed until 0930 London (0930 UTC) 4 February 2019

IHS MARKIT / CIPS UK CONSTRUCTION PMI®

UK construction output rises only marginally in January

KEY FINDINGS

Slowest rise in business activity for ten months

Commercial work remains weakest performing area

Employment growth hits two-and-a-half year low

January data pointed to a loss of momentum for the UK construction sector, with business activity growth easing to its weakest for ten months. New orders increased only marginally at the start of 2019, which contributed to the slowest expansion of employment numbers for two-and-a-half years. A number of survey respondents noted that Brexit uncertainty had led to hesitancy among clients and a corresponding slowdown in progress on new projects.

The headline seasonally adjusted **IHS Markit/CIPS UK Construction Total Activity Index** dropped to 50.6 in January, from 52.8 in December. The index has posted above the 50.0 no-change mark in each month since the snow-related decline seen in March 2018, but the latest expansion was the weakest seen over this ten month period of growth.

All three categories of construction output recorded weaker trends than those reported in December. Residential work was the strongest performing area, although the latest expansion was only modest and the slowest seen since March 2018. Civil engineering activity increased marginally, with the rate of growth much softer than December's 19-month high.

Commercial work was the weakest performing area of construction output in January. Latest data indicated a decline in work on commercial construction projects for the first time in ten months. Anecdotal evidence suggested that Brexit-related anxiety and associated concerns about the domestic economic outlook continued to weigh on client demand.

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



New business growth eased to an eight-month low in January. Construction firms widely commented on softer demand conditions and longer sales conversion times, reflecting a wait-and-see approach to spending by clients. Concerns about the near-term outlook for new projects resulted in more cautious staff hiring policies at the start of 2019. The latest survey pointed to the slowest rise in employment numbers since July 2016.

Meanwhile, slower growth of input buying helped to reduce pressure on construction supply chains in January. The latest deterioration in vendor performance was the joint-weakest since September 2016. Construction firms also pointed to the smallest reduction in sub-contractor availability for two-and-a-half years.

Input price inflation continued to moderate in January, with average cost burdens rising at the slowest pace since June 2016. Where an increase in purchasing costs was reported, this was generally linked to rising prices for imported construction products and materials.

Construction firms remain positive about the outlook for business activity in 2019. Around 41% of the survey panel anticipate a rise in output, while only 16% forecast a fall. However, the resulting index signalled a moderation in optimism since December. Large-scale civil engineering projects were cited as a key source of optimism, while and Brexit uncertainty was the most commonly cited concern.

COMMENT

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

“UK construction growth shifted down a gear at the start of 2019, with weaker conditions signalled across all three main categories of activity. Commercial work declined for the first time in ten months as concerns about the domestic economic outlook continued to hold back activity. The latest survey also revealed a loss of momentum for house building and civil engineering, although these areas of the construction sector at least remained on a modest growth path.

“Staff recruitment slowed to a crawl in January, with construction firms reporting the softest rate of job creation since July 2016. Delays to client decision-making on new projects in response to Brexit uncertainty was cited as a key source of anxiety at the start of 2019. Difficulties converting opportunities to sales were reflected in a slowdown in total new business growth to its lowest since last May.

“Business expectations for the year ahead slipped to a three-month low and remained subdued in comparison to historic trends in January. Positive sentiment towards the outlook for civil engineering work remains a key factor helping to support business sentiment across the construction sector, according to survey respondents.”

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

“The sector suffered a sharp drop in output growth in January, and the softest rise in purchasing volumes since September 2017, as Brexit continues to hamper progress and dampen client confidence.

“Residential building, the stalwart of the sector leading the way in the last six months, lost its momentum with the weakest performance since March 2018. However, commercial building suffered the most of the three sub-sectors declining for the first time in just under a year. Larger orders were held back by clients and overall activity slowed.

“The biggest shock came in the form of job creation which has managed to suffer the slings and arrows of Brexit highs and lows with solid hiring since the referendum result. Employment rose at the slowest rate since July 2016 and with optimism also in short supply, the sector only needs a small nudge to tip it closer to recession.”

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.

January 2019 data were collected 11-30 January 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](https://www.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