

## News Release

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 09:30 (London / UTC) February 2<sup>nd</sup> 2018**

### IHS Markit/CIPS UK Construction PMI<sup>®</sup>

#### Construction output growth fades to near-stagnation in January

##### Key findings:

- Headline PMI eases to four-month low of 50.2 in January, down from 52.2 in December
- Residential building activity slips into decline
- Contraction in new business reported

Data collected January 12-30

##### IHS Markit/CIPS UK Construction PMI:

PMI, Seasonally Adjusted, 50.0 = no-change



Source: IHS Markit/CIPS

##### Summary:

UK construction companies reported a subdued start to 2018, with total industry activity barely rising. A return to contraction in residential building activity was accompanied by near-stagnant commercial and civil engineering activity. New orders declined, linked by many companies to market uncertainty.

On a more positive note, confidence towards future growth prospects improved, with many firms anticipating an increase in new project wins later in

the year. Meanwhile, intense cost pressures continued across the UK construction sector.

The seasonally adjusted **IHS Markit/CIPS UK Construction Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>)** posted 50.2 in January, down from 52.2 in December. The figure was just above the neutral 50.0 no-change mark, thereby signalling a fractional rate of growth that was the weakest for four months.

The latest data signalled that the sector's main driver of growth in recent months, house building, slipped into decline, ending a 16-month expansion.

Meanwhile, commercial building returned to growth, reversing a six-month period of decline, though the pace of expansion was only marginal. Civil engineering activity also rose, representing an improvement on the declines seen late last year, though the increase was likewise only very modest.

The rate of job creation eased to an 18-month low in line with the reduced growth of building activity. Whilst some firms hired additional staff in anticipation of future new project wins, others reported job shedding in response to lower workloads.

New orders received by UK construction companies decreased slightly for the first time in four months during the latest survey period. Many respondents linked falling new business to worries fuelled by general political and economic uncertainty.

Despite softening marginally since December, cost pressures remained intense in January. Inflation in input costs was driven by a variety of materials such as bricks, copper and timber.

Sub-contractor usage increased during January, thereby ending a ten-month sequence of decline. Furthermore, the latest expansion was the strongest seen since November 2016. In response, sub-contractor availability fell sharply.

Despite subdued total industry activity growth and falling new orders, optimism among UK construction companies improved in January. Many firms anticipate a pick-up in new business wins later in the year.

## Comments

**Sam Teague, Economist at IHS Markit** and author of the **IHS Markit/CIPS Construction PMI**<sup>®</sup> said:

*“January’s PMI data indicated a difficult start to 2018 for the UK’s construction sector, underlined by business activity growth slumping to a four-month low and new orders sliding back into decline.”*

*“A contraction in house building added to lacklustre commercial building and civil engineering markets, and reduced inflows of new work suggest overall activity could slip into decline in February. Furthermore, cost pressures remained intense, fuelled by shortages of input materials and high costs for imported products.”*

*“Survey respondents reported increased hesitance among clients to invest in new projects amid heightened concerns over the UK economic outlook. Encouragingly, however, firms generally expect things to improve later in the year. Constructors’ optimism towards future growth prospects reached a seven-month high. Many forecasted that the soft patch in construction demand would be short-lived and new project wins would pick up throughout the year, though this will inevitably depend on how Brexit negotiations play out. Despite the upturn, optimism remains worryingly low by historical standards.”*

**Duncan Brock, Director of Customer Relationships at the Chartered Institute of Procurement & Supply**, said:

*“The construction PMI delivered meagre results for January as any hopes for a stellar start to the year were eclipsed by a surprisingly poor show from the housing sector, offering its worst performance since July 2016. Not even a marginal improvement in commercial and civil engineering could prevent a near-stagnation in overall activity as the index hovered near the no-change mark.”*

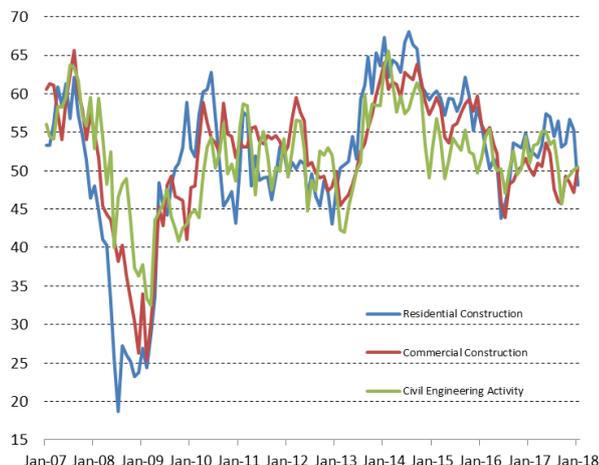
*“The blocks to progress included a sharp rise in costs and a shortage of key materials, which contributed to longer lead times as supplier capabilities were stretched to their limits.”*

*“Against this challenging backdrop, though larger orders from cautious clients also failed to materialise, firms retained a sunny disposition with optimism at a seven-month high and a slight rise in employment continued.”*

*“With construction teetering on the edge of contraction, this surprise outcome will serve as a jolt to policymakers, that the impact of political and economic uncertainty remains large at the beginning of 2018.”*

– Ends –

## UK Construction PMI® by Category of Activity



Source: IHS Markit/CIPS

### For further information, please contact:

For data and economic queries, please call:

#### IHS Markit

Joanna Vickers

Tel: +44 207 260 2234

Email: [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

For industry comments, please call:

#### CIPS

Trudy Salandiak

Tel: +44 1780 761576

Email: [trudy.salandiak@cips.org](mailto:trudy.salandiak@cips.org)

### Note to Editors:

Where appropriate, please refer to the survey as the IHS 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.

IHS 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 IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com)

#### About IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge 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 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

*IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2018 IHS Markit Ltd. All rights reserved.*

#### **About PMI**

*Purchasing Managers' Index*<sup>®</sup> (PMI<sup>®</sup>) 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 [www.markit.com/product/pmi](http://www.markit.com/product/pmi).

#### **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 procurement and supply management issues. CIPS has a global community of 115,000 in 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](http://www.cips.org)

The intellectual property rights to the UK Construction PMI<sup>®</sup> 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<sup>®</sup> and PMI<sup>®</sup> 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.

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