

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 0930 (London) / 0830 (UTC) April 4th 2018

IHS Markit/CIPS UK Construction PMI[®]

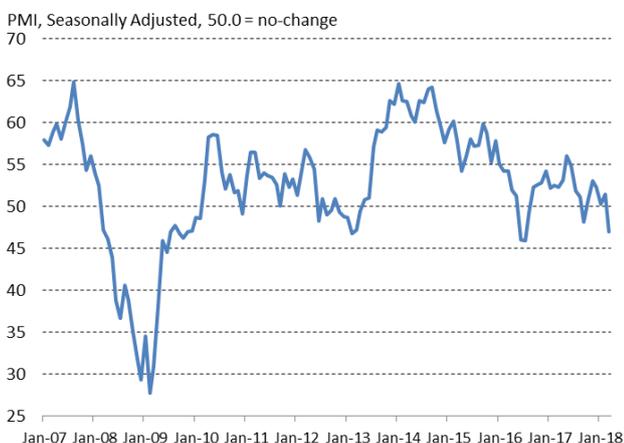
Snow disruption contributes to fastest drop in construction activity since July 2016

Key findings:

- Business activity falls amid unusually bad weather in March
- Civil engineering work declines at sharpest pace for five years
- Input cost inflation moderates to 20-month low

Data collected March 12-28

IHS Markit/CIPS UK Construction PMI:



Source: IHS Markit/CIPS

Summary:

March data revealed a setback for the UK construction sector following five months of marginal business activity growth. However, survey respondents noted that unusually bad weather conditions had been a key factor behind the drop in construction output, with snow-related disruption having a particularly negative impact on civil engineering projects. Business activity expectations

and job creation both picked up in March, which provides a clear signal that construction firms anticipate a rebound in activity during the months ahead.

The seasonally adjusted **IHS Markit/CIPS UK Construction Purchasing Managers' Index[®] (PMI[®])** fell sharply from 51.4 in February to 47.0 in March, to register below the 50.0 no-change threshold for the first time in six months. Moreover, the latest reading signalled the fastest overall decline in construction output since July 2016. Where a drop in work was reported, survey respondents noted that unusually bad weather had disrupted staff availability and activity on site.

The overall reduction in construction output was driven by the sharpest drop in civil engineering work for five years in March. Commercial activity also decreased during the latest survey period, with the rate of decline the most marked since September 2017. Housing bucked the wider trend for construction activity in March, although the latest upturn in residential building was only marginal.

Construction companies indicated a decline in new business volumes during March, which continued the downward trend seen so far in 2018. The latest deterioration in new order books was the sharpest since July 2016. Survey respondents noted that subdued underlying demand and, in some cases, weather-related disruption had weighed on sales in March.

Despite a sustained soft patch for new work, latest data revealed that employment growth accelerated

to a three-month high. Additional staff hiring was attributed to forthcoming project starts and long-term business expansion plans. At the same time, sub-contractor availability continued to decline, which contributed to the strongest rise in their average prices charged since September 2017.

Higher raw material costs continued in March, which construction firms linked to increased prices for metals and insulation in particular. Nonetheless, the overall rate of input cost inflation softened to a 20-month low. Some survey respondents cited a moderation in supplier price rises linked to the weak pound.

Meanwhile, construction firms indicated that supplier lead-times lengthened to the greatest degree since last July. This was attributed to a combination of stretched supply chain capacity, alongside transport delays following adverse weather in March.

Comments

Tim Moore, Associate Director at IHS Markit and author of the **IHS Markit/CIPS Construction PMI®**:

“The construction sector continued to experience subdued business conditions during March, but snow-related disruption was a key factor behind the marked decline in activity on site reported by survey respondents.

“Total construction output fell at the fastest pace since July 2016, driven by the sharpest reduction in civil engineering activity for five years and a renewed fall in commercial work. House building increased slightly during March, although the rate of expansion was still softer than at any time in 2017.

“A solid rise in employment numbers and the rebound in business expectations to a nine-month high provide an indication that construction activity will strengthen over the near-term. However, survey respondents noted that underlying demand remains constrained by heightened economic uncertainty and risk aversion among clients.”

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

“Snow stopped play in March, as the unseasonal weather restricted overall activity, lengthened delivery times and triggered the fastest drop in new orders since July 2016.

“Civil engineering and commercial activity were the most affected, as housing became the best performer. However, the marginal improvement in residential building was softer than in most of 2017 indicating there may be something more serious ailing the sector, as respondents also cited continuing Brexit-related uncertainty and disappointment over the performance of the UK economy.

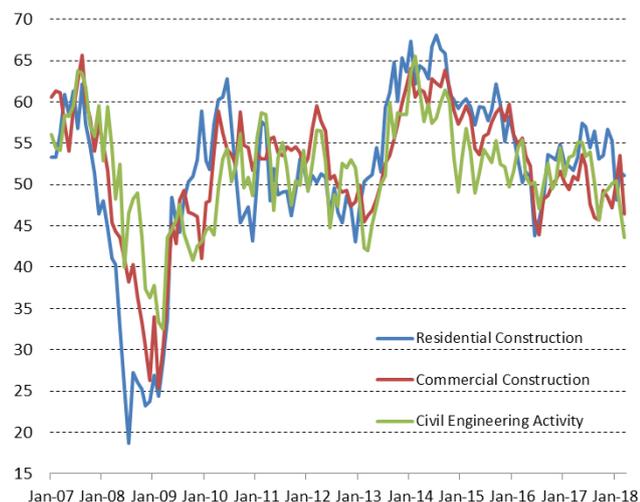
“There was some good news as purchasing levels increased slightly, sustained by the respite of pressure from cost increases which were the lowest since June 2016 and where the worst impact of the weak pound on prices may have dissipated. With the strongest job creation this year, firms had a more hopeful outlook for the coming months coupled with the highest level of optimism since June 2017, as they scoured the wider marketplace for opportunities.

“It’s a few years since the UK experienced such bad weather in March and it’s obvious that supply chains were woefully unprepared to deal with the disruption. So though March’s figures could be viewed as a temporary blip, without a strong pipeline of work, and strong risk strategies in place, the sector’s health remains in question as we’re still a long way off seeing it operate the way it has over the last year.”

– Ends –

UK Construction PMI[®] by Category of Activity

PMI, Seasonally Adjusted, 50.0= no-change



Source: IHS Markit/CIPS

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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

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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 www.markit.com/product/pmi.

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