

## News Release

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
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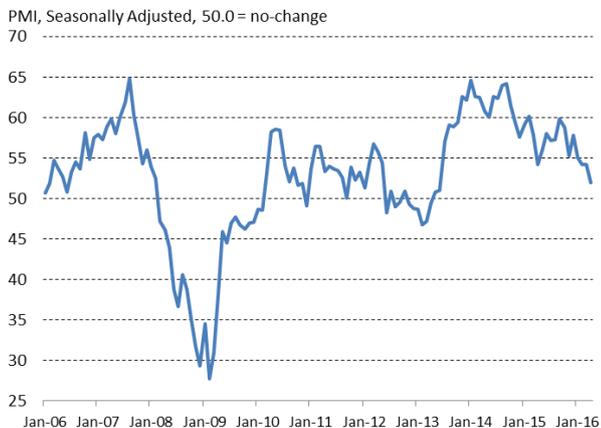
### Markit/CIPS UK Construction PMI®

## Construction output growth eases to weakest for almost three years amid stalling new business volumes in April

#### Key points:

- Business activity expands at weakest pace since June 2013
- New work stagnates in April, contrasting with solid growth in March
- Construction firms indicate reduced confidence about the business outlook

#### Markit/CIPS UK Construction PMI®



Source: Markit/CIPS

April data signalled a further loss of momentum across the UK construction sector, with new order volumes stagnating and overall business activity expanding at its slowest pace since June 2013. Subdued demand conditions contributed to one of the weakest rises in employment numbers recorded over the past three years. At the same time, construction firms indicated a softer increase in input buying and noted a renewed fall in optimism regarding the year-ahead business outlook.

At 52.0 in April, the seasonally adjusted **Markit/CIPS UK Construction Purchasing Managers' Index®**

(**PMI®**) registered above the critical 50.0 no-change threshold, which marked three years of sustained output growth across the construction sector. However, the latest reading was down from 54.2 in March and pointed to the slowest expansion of business activity since mid-2013.

Commercial building was the strongest performing broad category of activity in April, although the latest upturn was the slowest since July 2013. Residential construction growth rebounded only slightly from March's 38-month low, while civil engineering activity expanded at the weakest pace so far in 2016.

The overall slowdown in construction output growth largely reflected stagnating new business volumes in April. Moreover, the latest survey signalled the weakest momentum for exactly three years. Construction companies cited a number of factors weighing on client spending, including heightened uncertainty about the economic outlook and a general unwillingness to commit to new projects.

Construction firms signalled a renewed decline in confidence about the year-ahead business outlook in April, thereby resuming the general downward trend seen since June 2015. The latest reading pointed to the weakest degree of positive sentiment for almost three years, which survey respondents mainly linked to stagnating new business volumes and a lack of new invitations to tender.

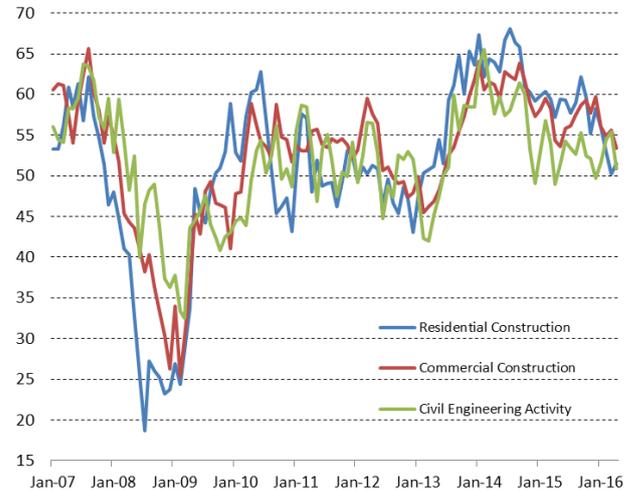
Staffing levels continued to increase across the construction sector during April. Job creation has been recorded in each month since June 2013, which represents the longest period of sustained employment for around a decade. However, the latest increase in payroll numbers was only modest and some firms commented on more cautious hiring policies in response to softer demand patterns. This

contributed to a rise in sub-contractor usage for the first time in three months during April.

Supply chain pressures eased again in April, as highlighted by the least marked lengthening of vendor delivery times since November 2010. Some firms commented on softer demand for raw materials. Reflecting this, latest data pointed to the weakest increase in input buying for almost three years. However, cost inflation picked up sharply and was the fastest recorded since July 2015.

### UK Construction PMI<sup>®</sup> by Category of Activity

PMI, Seasonally Adjusted, 50.0 = no-change



Source: Markit/CIPS

#### Comment:

**Tim Moore, Senior Economist at Markit** and author of the **Markit/CIPS Construction PMI<sup>®</sup>**, said:

*“UK construction firms reported their worst month for almost three years in April, meaning that the first quarter slowdown is unlikely to prove temporary.*

*“Stalling new order volumes not only set the scene for further weakness ahead, but are already weighing on staff hiring and input buying across the construction sector.*

*“Softer growth forecasts for the UK economy alongside uncertainty ahead of the EU referendum appear to have provided reasons for clients to delay major spending decisions until the fog has lifted.*

*“An additional factor dragging on construction sector performance is the lack of momentum in residential building. April’s survey highlighted one of the weakest rises in housing activity since early-2013, suggesting that greater caution in this sub-sector is adding to the sluggish growth conditions seen across the wider construction industry.”*

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

*“Although UK construction grew marginally in April, clouds of uncertainty are hovering overhead, depressing the industry’s outlook. Business activity expanded at its weakest pace since June 2013, clearly pointing to a loss of momentum in the sector.*

*“Fears over weaker UK and global economic growth dealt a blow to confidence in the construction sector, leading to delays in new spending commitments. The prospect of the EU referendum and its outcome in June are likely to add to uncertainty too, with many construction firms preferring to wait and see what happens before making any decisions.*

*“Construction companies adopted a more cautious approach to purchasing and hiring, leading to a rise in sub-contractor usage to tide them over until the outlook becomes clearer. The slowdown in new order growth in April suggests that though spring may be in the air, sunnier times may still be a way off for the construction sector, at least for the time being.”*

– 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](mailto:economics@markit.com)

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#### About PMI

*Purchasing Managers' Index*® (PMI®) surveys are now available for over 30 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](http://www.markit.com/economics).

#### 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 118,000 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)

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