

News Release

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

IHS Markit/CIPS UK Construction PMI®

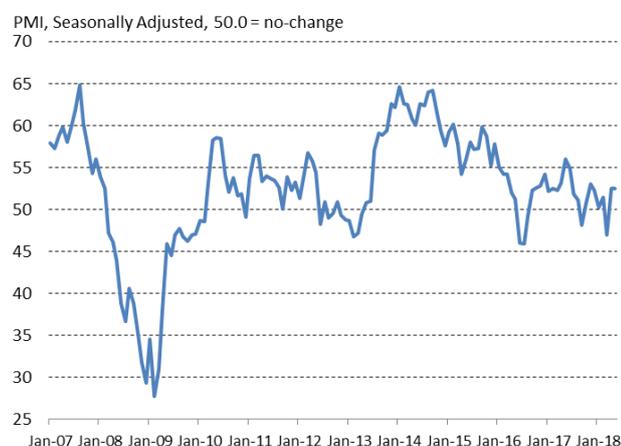
UK construction activity growth remains subdued in May

Key findings:

- Headline PMI remains unchanged at 52.5
- New business growth slips back into decline amid general uncertainty towards outlook
- Input price pressures sharpen on the back of higher fuel and steel costs

Data collected May 11-30

IHS Markit/CIPS UK Construction PMI:



Source: IHS Markit/CIPS

Summary:

Latest PMI data signalled only a modest improvement in UK construction activity midway through the second quarter, with the pace of expansion matching that registered in April. Commercial activity growth accelerated to a three-month high in May; however, softer expansions in both residential and civil engineering activity were recorded. Furthermore, new order books contracted for the fourth time in the past five months amid general uncertainty in the sector.

At 52.5 in May, the seasonally adjusted **IHS Markit/CIPS UK Construction Purchasing Managers' Index® (PMI®)** remained unchanged since April. The figure was indicative of a moderate increase in total activity, albeit one that was subdued in the context of historical data.

Some firms suggested that unusually good weather conditions had supported activity and enabled them to continue catching up after prior months' weather-related disruptions.

Residential work remained the strongest of the three monitored sub-sectors for the third month running during May. The pace of expansion eased from April's 11-month high, which had seen house building activity rebound from heavy snow in March. Both the commercial and civil engineering sectors remained in growth territory for the second month running in May, with the former being the only category to record a faster rate of expansion than in April.

New order books slipped back into decline during May. Panel respondents blamed political and economic uncertainty, subdued retail sector conditions and fragile business confidence as key causes of weaker demand for construction projects. That said, the rate of contraction was only fractional and slower than the declines seen throughout the first quarter.

Optimism towards future growth prospects meanwhile slumped to a seven-month low in May. The drop in confidence was linked to fears of political and economic uncertainty and an expected slowdown in the construction sector.

Alongside easing positive sentiment, job creation softened to a four-month low in the latest survey period. Surveyed companies continued to report a shortage of skilled staff availability.

Purchasing costs faced by construction firms rose sharply in May. The rate of input price inflation was the steepest registered since February. Panel members commonly reported elevated fuel costs, alongside higher plastic and steel-related input prices.

Supplier delivery times continued to worsen in the latest survey, though the degree of deterioration was one of the weakest over the past year-and-a-half. Where longer times were reported, businesses frequently blamed shortages of materials at vendors.

Comments

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

“The May PMI data signalled an unchanged pace of activity growth across the UK’s construction sector since April’s somewhat underwhelming rebound, yet nevertheless indicating a recovery in the second quarter after the contraction seen at the start of the year.

“However, activity in May was once again buoyed by some firms still catching up from disruptions caused by the unusually poor weather conditions in March, and a renewed drop in new work hinted that the recovery could prove short-lived.

“Inflows of new business slipped back into decline, signalling the resumption of the downward trend in demand seen during the opening quarter. Companies frequently noted that Brexit uncertainty and fragile business confidence led clients to delay building decisions in May.

“With new order books deteriorating and cost pressures picking back up, it’s not surprising to see construction firms taking a dimmer view of prospects and pulling-back on hiring, all of which makes for a shaky-looking outlook.”

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

“The two millstones of uncertainty and weak economic growth gave the sector plenty to worry about this month, and whilst activity still grew, the lowest business confidence in seven months suggests the subdued pipeline of new work is having an effect. With a decline in new orders for a fourth time in five months, it was client hesitation and consumer diffidence towards spending that had construction activity stuttering.

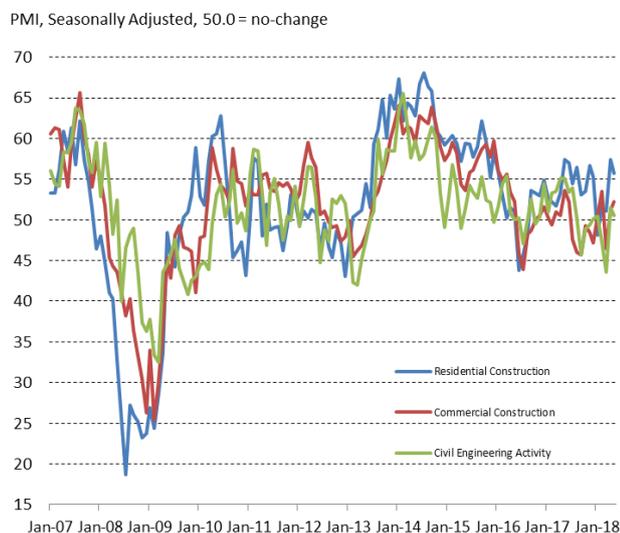
“Higher prices for fuel, raw material shortages, higher labour costs combined with slow delivery times were further obstacles to growth as firms nervously assessed their workforce for much-needed talent and sub-contractors could name their price.

“However, it’s encouraging to see the housing sector put in a strong performance for a second month running, after stumbling at the beginning of the year, and with only small improvements in the other sectors, residential building is keeping construction’s head above water.

“It’s likely that the construction sector’s performance will be a slow and steady crawl through the second quarter, as the spectre of Brexit continues to dominate, and the double pincer movement of few orders, and higher costs, could see the sector stutter further.”

– 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

For industry comments, please call:

CIPS

Trudy Salandiak

Tel: +44 1780 761576

Email: 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

About IHS Markit (www.ihsmarkit.com)

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 © 2018 IHS Markit Ltd. All rights reserved.

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 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 200,000 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

The intellectual property rights to the UK Construction PMI[®] 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.

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