

## News Release

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 0930 (London) / 0830 (UTC) May 3<sup>rd</sup> 2017**

### Markit/CIPS UK Construction PMI®

#### Construction growth picks up in April, driven by work on civil engineering projects

##### Key findings:

- Sharpest rise in total construction output so far in 2017
- Civil engineering expands at fastest pace for 13 months
- Suppliers' lead-times lengthen to greatest extent since June 2015

Data collected April 11-27

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

PMI, Seasonally Adjusted, 50.0 = no-change



Source: IHS Markit/CIPS

##### Summary:

UK construction companies reported a solid start to the second quarter of 2017, helped by faster rises in civil engineering and residential building activity. April data also pointed to the strongest upturn in incoming new work so far this year, which survey respondents linked to the resilient economic backdrop and a sustained improvement in client demand. Greater workloads underpinned a further increase in

employment numbers and the most marked rise in input buying since November 2016.

Meanwhile, robust demand for construction materials and upward pressure on costs from sterling depreciation resulted in another steep increase in input prices during April.

At 53.1, up from 52.2 in March, the seasonally adjusted **Markit/CIPS UK Construction Purchasing Managers' Index® (PMI®)** pointed to a solid rise in overall construction output. The latest reading was well below the post-crisis peak seen in January 2014 (64.6), but still signalled the sharpest rate of expansion so far this year. Civil engineering was the best performing sub-category of construction activity in April, with the rate of expansion the fastest since March 2016. Growth of residential building also accelerated, reaching a four-month high. Commercial building work increased only slightly and at a weaker pace than in March.

April data pointed to a solid upturn in new work received by UK construction companies, with the rate of expansion the strongest seen so far this year. However, mirroring the trend seen for business activity, the latest upturn in new work remained much slower than seen at the peak phase of the recovery in early-2014.

Higher volumes of new work encouraged further job creation across the construction sector in April. The rate of employment growth was the strongest since May 2016. Survey respondents indicated additional

pressures on the availability of sub-contractors during April, which added to signs of challenges in recruiting skilled labour.

Demand for construction materials increased in response to a sustained upturn in new work, as highlighted by a renewed upturn in buying during April. This contributed to a sharp and accelerated deterioration in vendor performance, with lead-times from suppliers lengthening to the greatest degree since June 2015.

Average cost burdens increased sharply in April, although the rate of inflation continued to moderate from the five-and-a-half year peak seen at the start

## Comments

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

*“April’s survey reveals a positive start to the second quarter of 2017, with a robust upturn in civil engineering activity helping to boost the construction industry. There were also more encouraging signs from the house building sector, as growth recovered to its strongest so far this year. However, the performance of the commercial building sector remained subdued in the context of the past four years.”*

*“UK construction companies noted that the resilient economic backdrop helped to drive up client spending in April. Greater workloads led to the fastest pace of job creation since May 2016 and a continued squeeze on sub-contractor availability.”*

*“Supply chain pressures also intensified, as highlighted by the largest lengthening of delivery times for almost two years. A sharp rate of input cost inflation persisted in April, reflecting an ongoing pass through of higher commodity prices, imported goods and energy costs. However, the recent recovery in sterling may have started to help limit some cost pressures in April, as the overall rate of input price inflation moderated to a six-month low.”*

of 2017. Higher prices were linked to exchange rate factors, as well as increased energy and fuel costs.

Meanwhile, around five times as many survey respondents (49%) expect a rise in construction output over the year ahead as those that forecast a fall (10%). The degree of confidence was down fractionally since March, but still well above the post-referendum low seen in July 2016.

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

*“With the biggest rise in new orders since the beginning of the year, the sector is in a strong pre-election position buoyed up by a hardy UK economy and strong client confidence. The housing sector offered up the best news recovering from last month’s minor blip and building on its strongest performance since the end of last year.”*

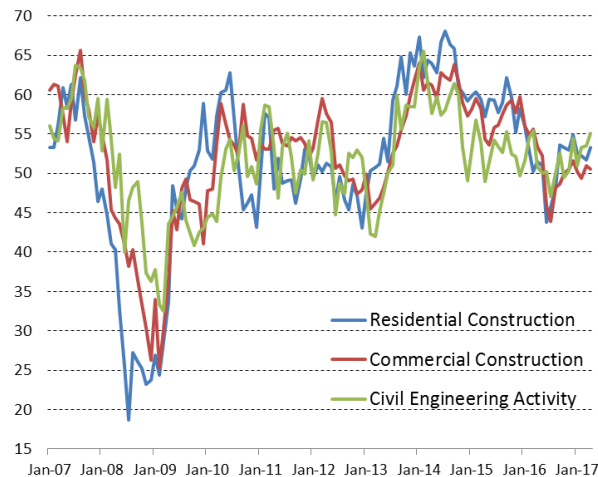
*“Employment growth rose to its highest since May 2016, though continued disquiet about the lack of highly-skilled labour availability persisted and which must be addressed if the future strength of the sector is to be assured. Combined with the vexatious conditions of rising commodity and labour costs, low stocks of essential materials and longer delivery times frustrated buyers and added drag to the completion of planned projects.”*

*“But with only a slight dip in business confidence from last month, the sector has proven to be resilient, so the UK Government must take extra steps to ensure the General Election does not knock the sector back into a period of uncertainty and uneven progression, as seen during the referendum months.”*

– Ends –

## UK Construction PMI® by Category of Activity

PMI, Seasonally Adjusted, 50.0 = no-change



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 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@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 © 2017 IHS Markit Ltd. All rights reserved.*

#### 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/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® 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.**

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](#).