

## News Release

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:30 (UK), 3 March 2015**

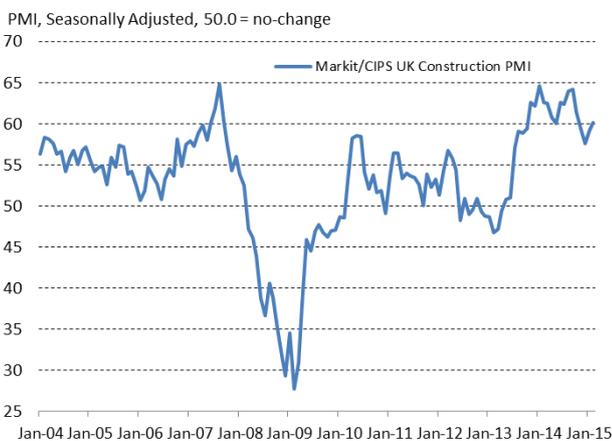
### Markit/CIPS UK Construction PMI®

#### Sharpest expansion of construction activity for four months

##### Key points:

- Output growth rebounds further from December's 17-month low
- Sharp rise in incoming new work
- Survey-record rise in rates charged by sub-contractors

##### Markit/CIPS UK Construction PMI®



Source: Markit/CIPS

UK construction companies indicated a further acceleration in output growth during February, driven by the fastest increase in new orders since October 2014. Higher levels of activity were seen in all three sub-categories of construction work, with residential activity again seeing the steepest rate of growth. Strong demand for construction materials, alongside ongoing shortages of stock at suppliers, contributed a steep and accelerated rise in input prices. Moreover, rates charged by sub-contractors increased at the most marked pace since the survey began in April 1997.

Adjusted for seasonal influences, the **Markit/CIPS UK Construction Purchasing Managers' Index®**

(**PMI®**) registered 60.1 in February, up from 59.1 in January and above the neutral 50.0 threshold for the twenty-second successive month. The latest reading picked up further from December's recent low and signalled a sharp expansion of construction output that was the fastest since October 2014. Residential, commercial and civil engineering activity all increased at the steeper rates in February.

Survey respondents generally attributed increasing output levels to strong workloads and rising spending patterns among clients. The rate of new business growth accelerated further from December's 18-month low and was the sharpest since last October. Construction companies mostly linked new business gains to improving economic conditions and positive sentiment towards the business outlook. However, some survey respondents noted that uncertainties related to the outcome of the General Election had resulted in delays to spending decisions among clients.

Higher levels of business activity contributed to further job creation across the construction sector in February. Although still robust, the rate of employment growth moderated to its least marked since December 2013. Meanwhile, sub-contractor usage rose at an accelerated pace in February, which led to another steep reduction in the availability of sub-contractors. Strong demand for sub-contractors in turn helped push up average rates charged by sub-contractors, with the latest increase the fastest since the survey began almost 18 years ago.

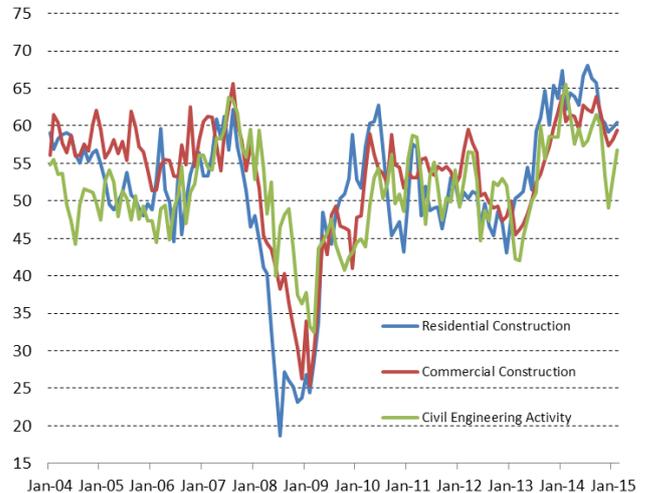
February data pointed to worsening supply-chain pressures across the UK construction sector, as highlighted by vendor delivery times lengthening to the greatest degree since October 2014. Capacity shortages among suppliers and strong demand for

construction materials also contributed to a marked upturn in input price inflation since January.

More than half of the survey panel (51%) anticipate a rise in business activity over the next 12 months, while less than one-in-ten forecast a reduction (9%). Positive sentiment towards the business outlook was linked to robust pipelines of new work and favourable expectations for client spending over the year ahead.

### 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:

*“The latest survey highlights renewed vitality within the UK construction sector, as output growth picked up further from the soft patch seen at the end of 2014. Housing, commercial and civil engineering activity all expanded at the quickest rates since last October, helped by sharp rises in new business volumes and an improving economic backdrop.*

*“Stronger short-term growth momentum in February was matched by positive sentiment towards the year-ahead business outlook. However, some construction companies noted that the uncertain General Election outcome could prove a temporary bump in the road for new work, as some clients had sought to delay spending decisions.*

*“Supply-chain pressures have been prevalent across the UK construction sector throughout the post-crisis recovery, which continued to drive up costs and lengthen delivery times for construction materials in February.*

*“Tighter labour market conditions also helped push up operating costs, as highlighted by the fastest rise in sub-contractor charges since the survey began almost 18 years ago.”*

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

*“The construction sector is awash with positive sentiment, rejecting wholeheartedly the downbeat end to last year, with the steepest rise in output activity for four months. The good fortune comes in threes – as respondents report a rise in staffing levels, higher levels of new orders and rising rates for sub-contractors.*

*“Clients are ready to spend, resulting in rising employment levels, but tempered by continuing skills shortages now seen for a number of months. Sub-contractors have been the winners; their rising rates evidence of continued demand for their capacity and the strongest since records began.*

*“As the sector revives a little more after the devastating effects of the recession, supply chains are experiencing increased pressure and vendors are struggling to keep pace resulting in longer delivery times. Generally worldwide, commodity prices have been falling, but the sector is experiencing strong demand for quality materials and so supply continues to be challenging.*

*“One small dark spot on the horizon concerns outcomes of the General Election, with a ‘wait and see’ approach from customers such as the public sector. Though there may still be some obstacles*

*ahead, the construction sector is ready to continue to bulldoze a positive path ahead.”*

– 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 32 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 106,000 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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