

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit/CIPS UK Construction PMI[®]

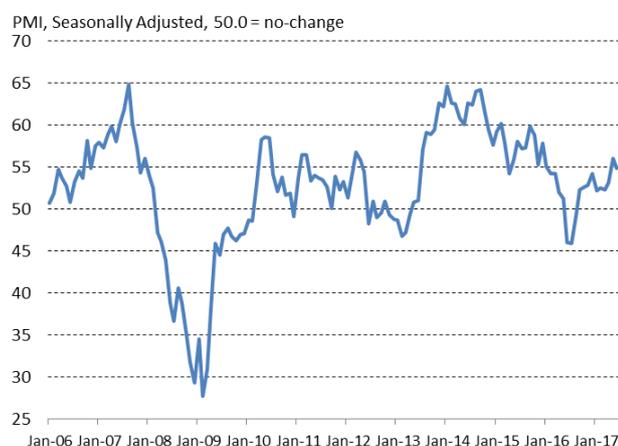
UK construction sector recovery loses momentum in June

Key findings:

- Business activity growth slows from May's 17-month high
- Weaker rises in new orders and employment
- Business optimism eases to its lowest so far in 2017

Data collected June 12-29

IHS Markit/CIPS UK Construction PMI:



Source: IHS Markit/CIPS

Summary:

June data revealed weaker growth momentum across the UK construction sector, with business activity, new work and employment all expanding at slower rates than in May. Survey respondents commented on signs of renewed risk aversion among clients, reflecting concerns about the economic outlook and heightened political uncertainty. The latest survey also indicated that construction companies were the least optimistic

about their near-term growth prospects since December 2016.

At 54.8 in June, down from 56.0 in May, the seasonally adjusted **IHS Markit/CIPS UK Construction Purchasing Managers' Index[®] (PMI[®])** registered above the 50.0 no-change mark for the tenth month running. Although signalling a solid upturn in overall business activity, the rate of expansion eased from May's 17-month peak.

Softer growth momentum was recorded across all three broad categories of construction activity. Residential building continued to outperform commercial work and civil engineering in June. Moreover, the latest rise in housing activity was still the second-fastest since December 2015.

Reports from survey respondents suggested that a lack of new work to replace completed projects had weighed on construction growth in June. Latest data indicated that new order growth eased to its weakest since March. A number of firms cited delays in decision making among clients, partly linked to heightened economic uncertainty.

Mirroring the trend for new business, construction companies reported the slowest rise in employment numbers for three months in June. Some survey respondents noted that concerns about the business outlook had led to the non-replacement of voluntary leavers. Reflecting this, the index measuring construction firms' expectations for growth over the next 12 months was the lowest so far in 2017.

Meanwhile, demand for construction materials continued to rise at a solid pace in June, with the rate of expansion holding close to May's 16-month peak. A sustained upturn in input buying placed

pressure on stocks held by vendors and resulted in longer delivery times for construction materials. The latest deterioration in supplier performance was the second-sharpest since March 2015.

UK construction companies reported another steep increase in their average cost burdens in June. The overall rate of inflation rebounded since May and

Comments

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

“The construction sector experienced a growth slowdown in June, largely reflecting weaker rises in commercial building and civil engineering activity. Residential construction work continued to increase at one of the fastest rates since the end of 2015.

“Survey respondents commented on renewed caution among clients, in response to heightened political and economic uncertainty. Fragile business sentiment led to delayed decision-making on large projects and greater concern about the outlook for workloads during the next 12 months. While construction firms remain upbeat overall about their near-term growth prospects, the degree of confidence fell to its lowest so far this year.

“Despite a softer rise in construction output, the latest survey revealed that supply chain pressures were among the most intense since early-2015. June data also pointed to strong input price inflation, driven by resilient demand and upward pressure on costs imported construction materials.”

was the strongest for three months. Reports from survey respondents mainly commented on the weaker sterling exchange rate feeding through from manufacturers. Some firms also noted that a combination of resilient demand for construction materials and stretched supply had underpinned the latest round of price rises by vendors.

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

“The construction sector’s confidence took a knock this month as optimism fell to its lowest reading in 2017 and clients became more restrained in placing new orders. Respondents cited continuing uncertainty in the run up to the election and Brexit negotiations for the hesitancy. But, the housing sector continued to have the most get-up-and-go with the second fastest rise since December 2015, leaving the other sectors lagging behind.

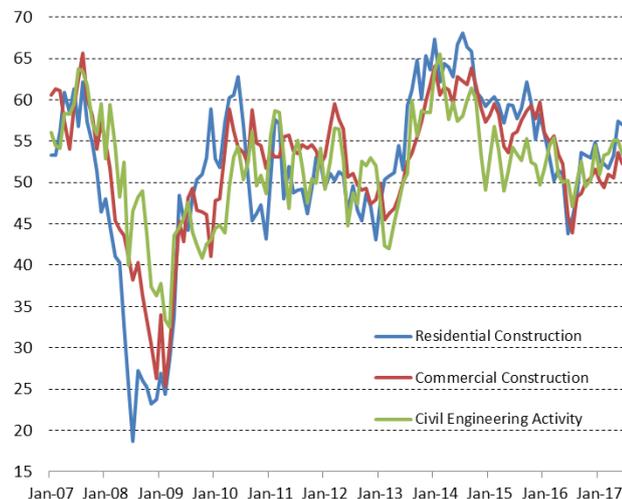
“While new business wins were less in evidence, demand for materials remained high as suppliers scrambled to meet the need for a number of materials in short supply and their performance worsened as their delivery times lengthened. The availability of skilled workers still remained an issue, with the slowest rise in employment levels for three months as a lack of new orders translated into restricted levels of hiring.

“With some doubt edging into the psyche of the construction industry about positive trading conditions, the sector will be guarding against continuing higher input prices with another eye on the possibility of rising interest rates as well.”

– 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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