

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 0930 (London) / 0830 (UTC) August 2nd 2017

IHS Markit/CIPS UK Construction PMI[®]

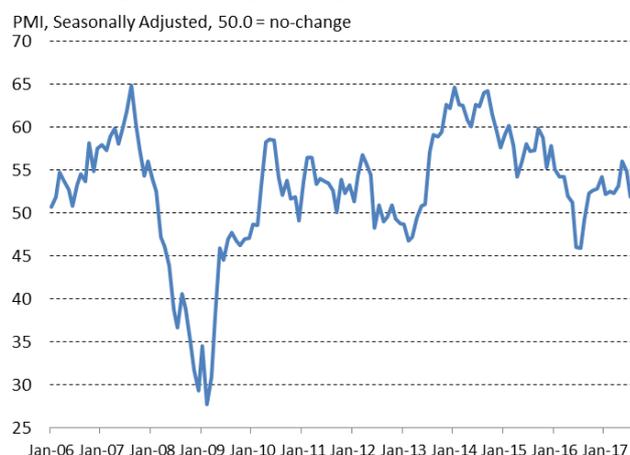
Construction growth eases to 11-month low in July amid weakness in commercial building

Key findings:

- Weakest construction performance since August 2016
- Commercial work falls at fastest pace for 12 months
- New orders decline, leading to softer job creation in July

Data collected July 12-28

IHS Markit/CIPS UK Construction PMI:



Source: IHS Markit/CIPS

Summary:

UK construction companies recorded another growth slowdown in July, reflecting lower volumes of commercial building and a softer expansion of housing activity. The latest survey also revealed a reduction in new business volumes for the first time since August 2016, which acted as a headwind to job creation and input buying across the construction sector.

At the same time, intense supply chain pressures continued in July and prices for construction materials increased at one of the sharpest rates since the first half of 2011.

Adjusted for seasonal influences, the **IHS Markit/CIPS UK Construction Purchasing Managers' Index[®] (PMI[®])** dropped from 54.8 in June to 51.9 in July, to signal the weakest construction performance since August 2016. The latest reading was below the long-run survey average (54.5) and pointed to only a moderate pace of business activity growth.

Lower levels of commercial construction were a key factor holding back overall business activity growth in July. Although only modest, the reduction in commercial activity was the fastest for 12 months. A number of survey respondents cited delays in decision making by clients, linked to worries about the economic outlook and heightened political uncertainty.

Residential building remained the strongest performing category of activity in July, although the latest rise was the slowest for three months. The only upturn in output growth was recorded in the civil engineering sector.

Construction firms commented on greater reluctance to commit to new projects among clients in July. Weaker demand led to an overall reduction in new business volumes for the first time since the post-referendum rebound began in September 2016. Deteriorating order books resulted in more cautious staff recruitment policies, as highlighted by a

moderation in employment growth to its slowest for 11 months. Sub-contractor usage also decreased during the latest survey period.

July data suggested that UK construction companies responded to lower sales by tightening up purchasing activity at their business units. The latest increase in input buying was only marginal and the weakest since March. Delivery times for construction materials continued to lengthen sharply, which survey respondents linked to low stocks and stretched capacity among suppliers. Meanwhile, input cost inflation remained elevated and close to the peaks seen at the start of 2017, which was partly linked to prices for imported items.

Comments

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

“July data reveals a growth slowdown in the UK construction sector, mainly driven by lower volumes of commercial development and a loss of momentum for house building. Weaker contributions from the cyclically sensitive areas of construction activity more than offset resilience in the civil engineering sector.

“Worries about the economic outlook and heightened political uncertainty were key factors contributing to subdued demand. Construction firms reported that clients were more reluctant to spend and had opted to take longer in committing to new projects.

“There was a knock-on impact for job creation and input buying following the largest downturn in order books since August 2016. However, supply chain pressures remained intense, reflecting low stocks among vendors, and materials prices continued to rise at one of the fastest rates seen for six years.

“The combination of weaker order books and sharply rising construction costs gives concern that an extended soft patch for the construction sector may be on the horizon.”

Construction firms remained upbeat about their growth prospects, but the degree of optimism was the lowest since July 2016. This was attributed to heightened economic uncertainty and subdued confidence among clients.

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

“The number of new orders dropped significantly this month and at the fastest rate since August 2016, as commitment-averse clients contributed to the sector’s weak trajectory.

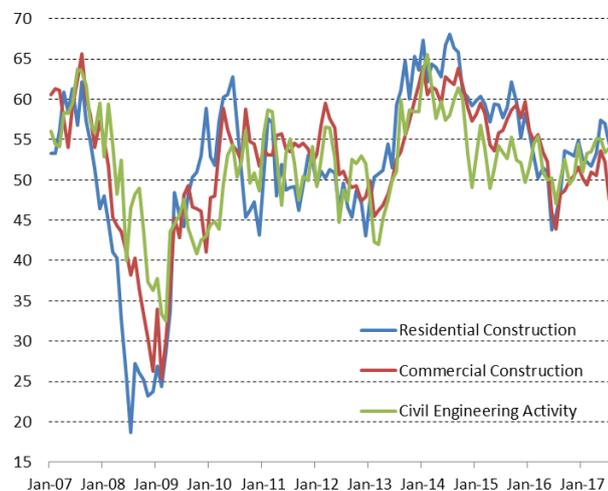
“Commercial building activity slowed for the first time in five months and was the main drag on the Index. Housing, the shining light of the sector eased marginally, but produced the slowest growth since April, as parallels with the darker days of Brexit, worries about the UK economy and post-election uncertainty can be seen across the construction sector.

“Continuing price pressures from the weak pound lingered, driving cost inflation near to a six-year peak, stifling purchasing activity and jobs growth. All in all, a challenging start to Q3 and there are possible roadblocks ahead for the sector in the rest of 2017, with longer lead times and suppliers struggling with stock levels, which adds insult to injury.”

– 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

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 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.

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

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. To read our privacy policy, [click here](#).