

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 0930 (London / UTC) January 3rd 2018

IHS Markit/CIPS UK Construction PMI®

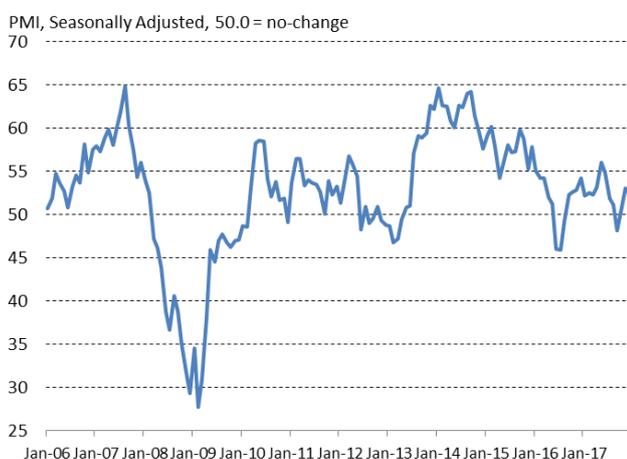
Construction output growth eases slightly in December

Key findings:

- Housing remains by far the best performing area of activity
- New orders rise at fastest pace since May
- Sharp rate of input price inflation continues in December

Data collected December 5-20

IHS Markit/CIPS UK Construction PMI:



Source: IHS Markit/CIPS

Summary:

UK construction companies indicated an uneven recovery in business activity at the end of 2017. A robust rise in residential building contrasted with falling work on commercial projects and stagnating civil engineering output.

There were positive signals for the near-term business outlook, with new order growth reaching a seven-month high and job creation the strongest since June. However, intense supply chain

pressures continued across the construction sector, while input cost inflation picked up from November's 14-month low.

The seasonally adjusted **IHS Markit/CIPS UK Construction Purchasing Managers' Index® (PMI®)** posted 52.2 in December, down from 53.1 in November but above the 50.0 no-change threshold for the third month running. As a result, the latest reading signalled a moderate expansion of overall construction output at the end of 2017.

Survey respondents indicated that house building remained a key engine of growth, with residential work expanding for the sixteenth consecutive month in December. In contrast, latest data indicated a moderate fall in commercial construction, thereby continuing the downward trend seen since July. Civil engineering work stabilised during the latest survey period, which ended a three-month period of decline.

December data pointed to resilient demand for new construction projects, as highlighted by the fastest upturn in new order volumes since May. Anecdotal evidence cited an improved flow of enquires in recent months, alongside a gradual upturn in clients' willingness to commit to new work.

The prospect of greater workloads ahead resulted in stronger rises in employment and purchasing activity during December. In fact, the latest upturn in input buying was the steepest for two years, which survey respondents widely linked to increased business requirements. Robust demand for construction products and materials contributed to another sharp lengthening of suppliers' delivery times at the end of 2017.

Strong cost pressures persisted across the construction sector, driven by rising prices for a range of inputs. In particular, survey respondents noted higher prices for blocks, bricks, insulation and roof tiles, alongside continued rises in the cost of imported products. Although the rate of input cost inflation picked up since November, it remained softer than February's peak.

Despite a rebound in new order volumes during December, construction firms indicated a subdued degree of optimism regarding the business outlook

Comments

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

"The UK construction sector achieved a moderate expansion of business activity at the end of 2017, although the recovery remained uneven and slowed overall since November. Construction companies indicated that another strong contribution from house building helped to offset subdued civil engineering activity and reduced volumes of commercial work.

"Total new orders picked up at the fastest pace for seven months in December, which provides a positive signal for construction workloads in the short-term. Resilient demand and forthcoming project starts also led to greater job creation and the strongest increase in input buying for two years.

"However, construction firms indicated that longer-term business confidence is still relatively subdued, largely reflecting concerns about the domestic economic outlook. Exactly 37% of the survey panel forecast a rise in construction activity over the course of 2018, while around 11% anticipate a reduction. As a result, the balance of UK construction companies expecting growth in the year ahead remains among the weakest recorded by the survey since mid-2013."

for the next 12 months. The balance of companies expecting a rise in output levels remained among the weakest recorded since mid-2013, which survey respondents mainly linked to worries about the wider UK economic outlook.

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

"The sector offered little in terms of comfort at the end of 2017, though the pace of new business picked up to its strongest level since May, and purchasing activity rose to its fastest rate in two years, supply chains were under increasing pressure from all sides.

"The housing sector was the strongest performer again and materials for residential building were in greater demand fuelling longer delivery times, shortages of key materials and sharper input cost rises.

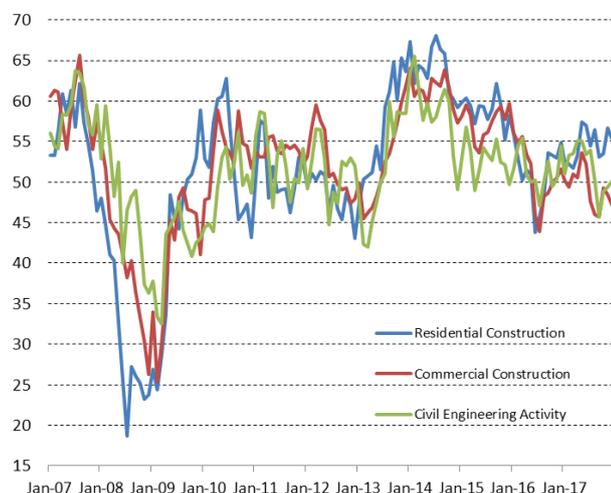
"It appears that the continued fall in commercial activity was testament to Brexit-related uncertainty on the horizon and the sector's fear about the direction of the UK economy as clients still hesitated to spend on bigger projects.

"Business optimism was subdued at levels not seen since 2013, but the improvement in new order growth in December contributed to the biggest surge in job creation since June. Construction firms still anticipated future new work, in spite of the climate of continued uncertainty and wanted to ensure that skilled talented people were in place should the New Year offer more success than expected."

– 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 © 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 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](#).