

News Release

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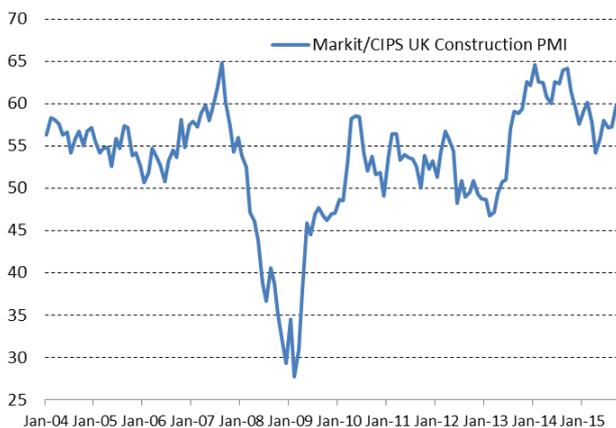
Markit/CIPS UK Construction PMI®

Construction output growth accelerates to a seven-month high in September

Key points:

- Output growth rebounds across all three sub-categories of activity...
- ...led by fastest rise in residential building for 12 months
- Job creation picks up to a three-month high

Markit/CIPS UK Construction PMI®



Source: Markit/CIPS

September data pointed to a further rebound in output growth across the UK construction sector, supported by faster rates of expansion in all three categories of activity monitored by the survey. Greater workloads and positive sentiment regarding the business outlook contributed to a sharp increase in staffing levels during September. However, new business growth continued to ease from June's recent peak, with the latest upturn in new work the weakest for five months. Meanwhile, construction companies indicated the least marked lengthening of suppliers' delivery times since November 2010, which provided further evidence

that supply chain pressures have subsided in recent months.

At 59.9 in September, up from 57.3 in August, the headline seasonally adjusted **Markit/CIPS UK Construction Purchasing Managers' Index® (PMI®)** signalled a sharp and accelerated expansion of overall business activity. Moreover, the latest reading was well above the long-run survey average (54.7) and pointed to the fastest increase in output levels since February.

House building remained the best performing broad category of construction activity in September. The latest expansion of residential building was the strongest for 12 months, which some survey respondents attributed to the launch of development projects that had been delayed earlier in 2015. Commercial construction activity also rose sharply in September, with the pace of growth accelerating to a seven-month high. Meanwhile, civil engineering activity increased for the fifth consecutive month and the rate of expansion picked up to its fastest since February.

Volumes of new work rose at a robust pace in September. However, the latest increase was the slowest for five months and much weaker than the post-crisis peaks recorded in 2013 and 2014. Construction companies nonetheless remain highly upbeat about their prospects for output growth over the next 12 months. Reflecting this, more than half of the survey panel (52%) forecast an upturn in business activity, while only 6% anticipate a reduction.

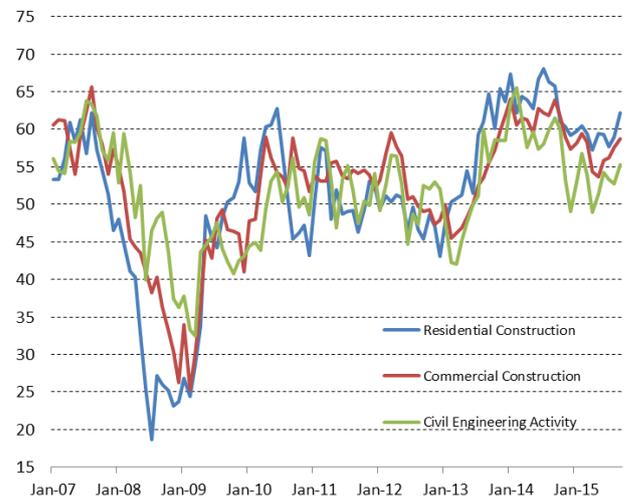
Employment growth was sustained across the construction sector for the twenty-eighth month running in September. Moreover, the pace of staff hiring remained strong, and accelerated to its

fastest since June. At the same time, construction firms signalled another increase in sub-contractor usage during September. Sub-contractor charges continued to rise sharply, although the rate of inflation has eased slightly from the survey-record highs recorded earlier in 2015.

Meanwhile, the latest survey highlighted the least marked deterioration in supplier performance for almost five years, which some firms linked to greater stocks at vendors. September data also pointed to softer cost pressures, with the rate of input price inflation easing to a five-month low.

UK Construction PMI® 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®**, said:

“Construction firms enjoyed a strong finish to the third quarter of 2015, as a sustained rebound in new development projects continued to have an impact on the ground. Moreover, September data suggests that the UK construction sector is still experiencing its most intense cycle of job hiring for at least 15 years, and consequently skill shortages remain a dominant concern across the industry.”

“Residential building saw the most decisive momentum shift in September, hitting a one-year high in the process, while commercial development also picked up speed as rising business investment and improving UK economic conditions acted to bolster demand. A growth spurt for civil engineering activity completed the hat-trick of positive news for the main construction sub-sectors in September, helped by robust pipelines of infrastructure work.”

“While the latest survey provides positive news on construction output, jobs and supply-chains, there was a warning light flashing in terms of total new orders. Construction companies have recorded a steady slowdown in new business growth from June’s post-election peak and the latest upturn was the second-slowest since mid-2013.”

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

“The building blocks were firmly in place this month as the sector reported more work, rising staff levels, and strong optimism for the future.”

“Though the overall growth rate of new business was showing signs of slowing down, all three sectors offered positive news with residential housing the strongest performer.”

“Issues around skills shortages continued to be a drag on the sector with the resultant demand for higher salaries from the smaller pool of skilled staff. Companies reported higher staffing levels but it was a continuing challenge to find specialist skills as they struggled to rely less on sub-contractors to fill the gaps.”

“Lower fuel and raw material costs helped margins even in a landscape of strong competition. Levels of output were robust and increased at the fastest pace for over six months.”

– 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

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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/economics.

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