

News Release

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

Construction output rises sharply in April, albeit at slowest pace for six months

Key points:

- Steep increase in total construction activity...
- ...but the rate of expansion is the weakest since October 2013
- Housing activity growth is close to a 10-year high

Markit/CIPS UK Construction PMI[®]



Source: Markit/CIPS

UK construction companies continued to record strong output rises during April, with all three broad categories of activity registering robust growth. That said, the overall rate of expansion eased since March and was the least marked for six months. This was highlighted by the seasonally adjusted **Markit/CIPS UK Construction Purchasing Managers' Index[®] (PMI[®])** dipping from 62.5 to 60.8 in April. The latest reading was nonetheless much higher than the 50.0 no-change threshold and well above the long-run survey average (54.3).

Higher levels of construction output have now been recorded for 12 months running. **Residential construction** was the best performing broad area of activity, and the rate of expansion in April remained one of the fastest seen over the past ten years. Moreover, the current 15-month period of continuous house building growth is the longest since 2006/07. **Commercial activity** increased sharply in April, while growth of **civil engineering** activity eased markedly and was the slowest since September 2013. Some firms noted a moderation in the boost to civil engineering activity from work related to flood relief.

The latest survey pointed to a steep and accelerated rise in **new business** received by UK construction companies, with the pace of expansion the fastest since January. Survey respondents noted a range of positive influences on new business volumes, particularly increased numbers of new housing starts, higher levels of public sector infrastructure spending and improving underlying economic conditions.

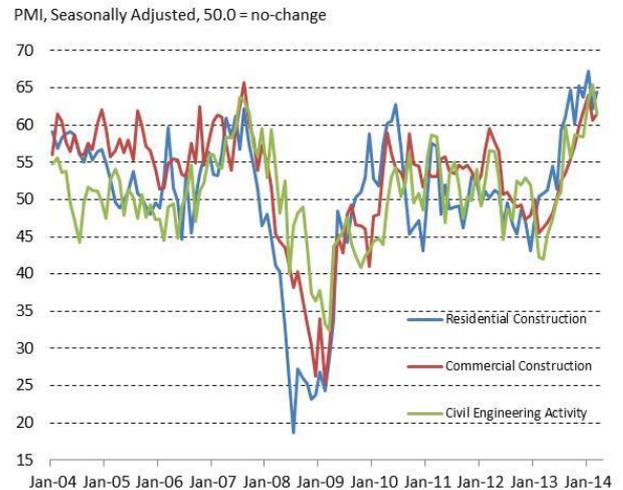
April data pointed to a steep rise in construction sector **employment**, which extended the current period of job creation to 11 months. Increased payroll numbers were widely attributed to greater output requirements and confidence about the outlook for business activity. The latest survey indicated that construction firms' confidence regarding the **business outlook** was only slightly lower than the seven-year high posted in March. Around ten times as many construction companies (56%) anticipate a rise in output as those that forecast a fall over the next 12 months (5%).

Supply chain pressures persisted in April, with the latest deterioration in **vendor performance** one of the sharpest seen over the past 16 years. There

was also another steep drop in the availability of sub-contractors in April.

Strong demand for inputs was highlighted by a further sharp increase in **purchasing activity** among construction firms. Higher levels of input buying have been recorded in each month since June 2013. Meanwhile, **input cost inflation** eased slightly to a three-month low in April. Survey respondents widely cited higher prices for raw materials such as bricks and timber.

UK Construction PMI[®] by Category of Activity



Source: Markit/CIPS

Comment:

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

“Construction growth has started to moderate from the rapid pace seen over the winter, but strong rises in new work and payroll numbers provide ample optimism that output will expand strongly over the course of 2014.

“Better economic conditions, a surge in house building, improved access to finance and greater investment spending are all important tailwinds for UK construction growth this year. Moreover, the latest survey is another indication that current UK construction trends are healthier than the relatively meagre official growth estimates so far this year.

“April’s survey indicated that residential building was the fastest growing area of UK construction activity, with the latest expansion correlating with at least 45,000 new housing starts per quarter. While there looks to have been a further steep upturn in new house building starts in April, the trend remains well short of estimated increases in underlying demand each year.

“Set against the tightening supply chain backdrop, a difficult challenge lies ahead for the housebuilding sector to make sure it doesn’t hit a ‘brick ceiling’.”

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

“While the rate of growth slowed slightly in April, the construction sector is still experiencing a remarkably strong and consistent period of expansion. Positive news abounds as housing activity reached a near ten-year high and the sector as a whole benefitted from the sharpest rise in new business since January this year. This, alongside improving economic conditions, continued to drive strong job creation, giving further cause for optimism about the future.

“House building was again the leading light in April, with growth now running for the longest continuous period since 2006/2007. This was further supported by a solid expansion in commercial activity; meanwhile civil engineering showed some signs of moderation, as companies looked for new work to replace flood relief activity.

“Reflecting the fast pace of growth filtering through the supply chain, vendor performance in April continued to deteriorate, typified by shortages of capacity, low stocks and worsening lead times. Beyond this, the easing of cost inflation this month was acknowledged to have brought some relief to the industry.”

– 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 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.

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