

## News Release

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

## Construction sector performance rebounds in December, led by commercial building activity

#### Key points:

- Output growth accelerates from November's seven-month low
- Commercial construction rises at fastest pace since October 2014
- Construction companies signal positive outlook for business conditions in 2016

#### Data collected 4-22 December 2015

#### Markit/CIPS UK Construction PMI®

PMI, Seasonally Adjusted, 50.0 = no-change



Source: Markit/CIPS

UK construction companies ended 2015 with a robust and accelerated expansion of overall business activity, thereby indicating a rebound from the slowdown recorded in November. The headline seasonally adjusted **Markit/CIPS UK Construction Purchasing Managers' Index® (PMI®)** registered 57.8 in December, up from a seven-month low of 55.3 in November. Higher levels of construction output have been recorded by the survey since May 2013, but the overall rate of expansion remained slightly weaker than seen on average over this period.

Commercial construction remained the best performing sub-category of activity in December, with the latest upturn the fastest since October 2014. Survey respondents noted that improving UK economic conditions continued to boost demand for commercial projects. Housing activity also increased at a robust rate that was much stronger than the 29-month low seen during November. Anecdotal evidence cited an improving flow of development opportunities and new invitations to tender.

Meanwhile, a decline in civil engineering activity contrasted with the overall upward trend seen across the UK construction sector in December. The fall in civil engineering activity was only marginal, but this ended a seven-month period of sustained growth.

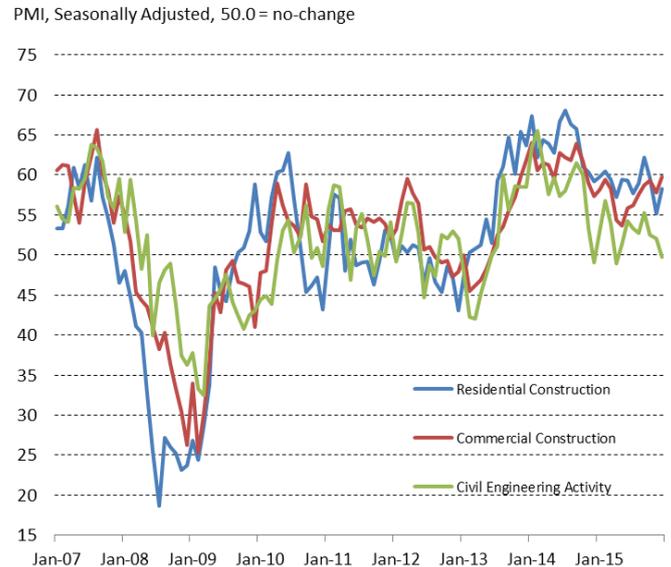
December data signalled a robust and accelerated increase in new business volumes, thereby mirroring the trend recorded for construction output at the end of 2015. The latest rise in new work was the second-fastest since July, which survey respondents linked to favourable demand conditions and an improved willingness among clients to commit to new projects. This in turn encouraged increased job creation among construction companies during December, with the rate of employment growth rebounding from the 26-month low recorded in November. Sub-contractor usage meanwhile picked up at the fastest pace since August 2014.

The latest survey highlighted the second-fastest increase in purchasing activity since January 2015. Strong demand for inputs, alongside an ongoing squeeze on supplier capacity, resulted in the sharpest drop in vendor performance since June. At the same time, input cost inflation moderated again

in December, reaching its lowest for eight months. A number of construction firms reported lower transportation and steel costs. Moreover, sub-contractor rates increased at the slowest pace since August 2013.

Just over half of the survey panel (51%) anticipate a rise in business activity over the course of 2016, while only 7% forecast a reduction. Although this indicated the weakest degree of positive sentiment since February, the index remained well above its post-crisis average. Survey respondents noted that greater client budgets, improving economic conditions and a strong pipeline of new projects had underpinned business confidence in December.

### 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:

*“UK construction companies finished 2015 in a positive fashion, as overall output growth recovered from November’s seven-month low. Commercial building was the main engine of growth, with this area of activity expanding at the strongest pace since autumn 2014. There was also a rebound in house building activity in December, but momentum was still much softer than the post-crisis highs achieved during 2014.*

*“Civil engineering remained the weakest performing area of construction in December. Nonetheless, civil engineering activity looks set to experience a near-term spike at the turn of 2016 from spending related to flood relief and additional capital budgets. In the immediate aftermath of the winter 2013/14 floods, UK civil engineering activity picked up at a survey-record pace.*

*“Across the UK construction sector as a whole, the latest survey indicated a strong degree of optimism about the outlook for 2016, with firms mainly citing a strong pipeline of commercial development projects and new housing starts. There were also reports that sustained improvements in UK economic conditions had led to upbeat expectations for clients’ budget setting for the year ahead.”*

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

*“With both new orders and general business activity on the rise, this month saw a considerable spike in purchasing activity and the second fastest increase since January 2015, amidst an environment where suppliers struggled more as lead times lengthened.*

*“Though commercial activity was the main driver of growth, the housing sub-sector remained strong, rejecting the previous 29-month low and showing solid steady increases overall since February 2013. Hirings in the construction sector also bounced back from November’s 26-month low and sub-contractors remained in demand to support increased workloads.*

*“This was a welcome surprise to the end of the year. The perfect conditions of lower commodity prices, helping bring cost inflation close to April’s six-year low, and a supportive UK economy have given the sector a solid foundation to build on with continued positive sentiment for the year ahead.”*

– 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](mailto: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](http://www.markit.com/economics).

#### 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 purchasing and supply management issues. CIPS has a global community of 110,000 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](http://www.cips.org)

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