

News Release

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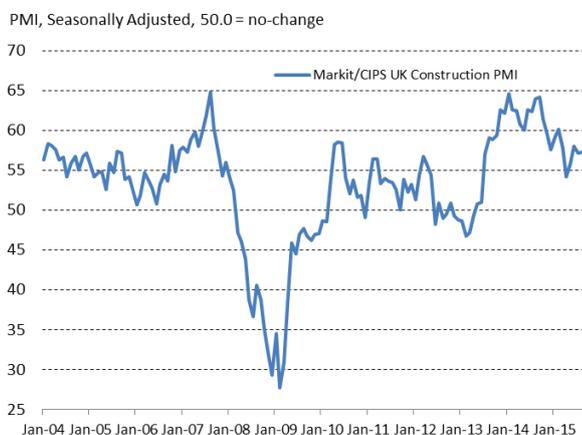
Markit/CIPS UK Construction PMI®

UK construction sector picks up slightly in August, led by fastest rise in commercial work for five months

Key points:

- Strong and accelerated rise in total construction output
- Strains on supplier lead-times are the least marked since May 2012
- Input cost inflation eases to a four-month low

Markit/CIPS UK Construction PMI®



Source: Markit/CIPS

UK construction companies remained in recovery mode during August, with business activity and employment levels both expanding at a strong pace. There were also some encouraging signs that strains on raw material availability have started to subside, as highlighted by the slowest deterioration in vendor performance for just over three years in August. Survey respondents noted that rising levels of supplier capacity, alongside lower fuel and energy costs, had helped restrain overall input price inflation in August.

The headline seasonally adjusted **Markit/CIPS UK Construction Purchasing Managers' Index® (PMI®)** registered 57.3 in August, up from 57.1 in

July and well above the neutral 50.0 threshold. Higher levels of business activity have been recorded in each month since May 2013, which represents the longest period of sustained growth for seven-and-a-half years. That said, the index continued to signal a softer growth path than that recorded throughout 2014.

Of the three broad sectors monitored by the survey, the fastest pace of expansion was in residential construction. Growth of commercial work also accelerated since the previous month, reaching its strongest since March. Survey respondents widely linked the latest upturn to improving economic conditions and strong demand from private sector clients. Meanwhile, civil engineering was the weakest performing broad area of activity, with the latest rise in output the slowest for three months.

August data pointed to a solid expansion in new business intakes across the UK construction sector, but the rate of growth eased to its least marked since May. Survey respondents were nonetheless generally upbeat about underlying market conditions and the number of opportunities to tender. Some firms simply noted that capacity constraints at their business units had held back their ability to take on new work and, in some cases, allowed them to become more selective about development opportunities.

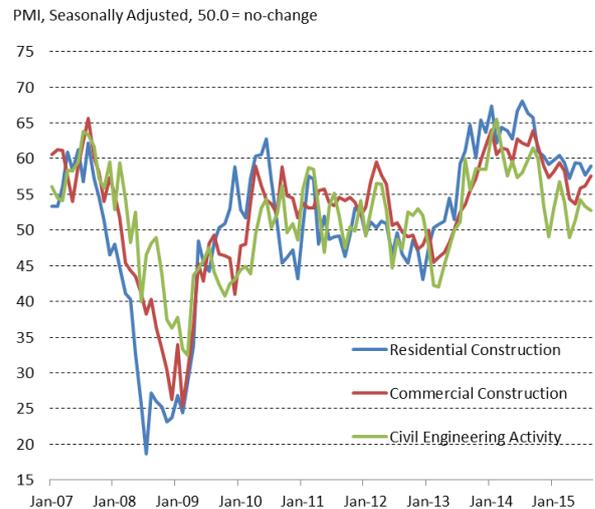
Looking ahead, more than half of the survey panel (53%) anticipate a rise in business activity over the next 12 months, while only 5% forecast a reduction. Although the degree of optimism remained below June's 11-year high, the latest reading was comfortably above the long-run survey average.

Increased workloads and impending new project starts in turn contributed to a robust rate of job creation in August. The current period of staff hiring now stretches to 27 successive months, which is the longest recorded by the survey for just over nine years. Sub-contractor usage also picked up

again, with the pace of expansion the fastest since February.

The latest survey highlighted that sub-contractor charges rose sharply, but the rate of inflation slipped to its lowest since April 2014. Meanwhile, lower oil-related prices contributed to the weakest overall rate of cost inflation for four months in August.

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 remained on a reasonably strong growth footing in August, helped by a sustained recovery in both residential and commercial building activity. Meanwhile, there was another loss of momentum for civil engineering, which brought output growth within this sub-sector further below the multi-year highs seen in 2014.

“The construction sector maintained its position as a strong engine of job creation in August, as permanent staff numbers and sub-contractor demand both picked up over the month. However, the surge in construction workloads over the past two-and-a-half years has created substantial skill shortages across the sector, with survey respondents reporting ongoing staff recruitment difficulties this summer.

“There was some encouraging news in terms of construction materials availability, as firms reported the lowest pressure on delivery times for over three years, helped by rising inventories and a rebound in supplier capacity.”

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

“The construction sector picked itself up a little more this month as overall activity stepped up. Housing remained the strongest driver of growth in addition some reported new impetus in the commercial sector.

“Capacity restraints limited some companies in their determination to actively chase new business, using their resources to fulfil current commitments. Some raw material shortages were still in evidence as suppliers were challenged to get their act together and keep pace.

“Any further obstacles hampering strong progress were around the lack of available skilled staff as sub-contractors were still highly sought-after and offered higher wages. But, the rise in the level of permanent posts and employment generally rising for the last 32 months, confirmed an optimism displayed by more than half of the survey respondents.

“With some doubt creeping in around the sustainability of the strength of the global economy, any rise in UK interest rates is unlikely to be any time soon, so growth rates are not stymied. With consistently lower input prices such as for oil, the sector was provided with a much-needed additional buffer.”

– 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.

About CIPS

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