

## News Release

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 0930 (London / UTC) February 2<sup>nd</sup> 2016**

### Markit/CIPS UK Construction PMI®

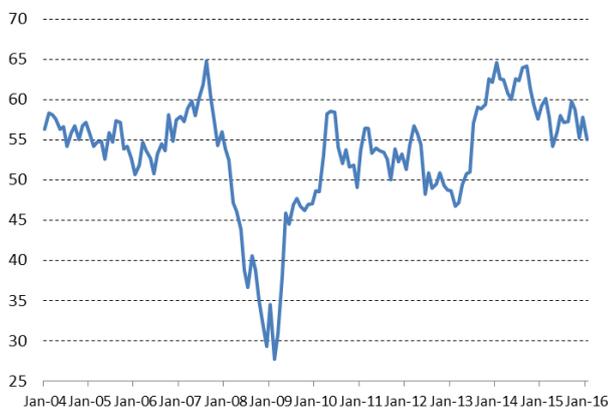
## Weakest expansion of UK construction output for nine months in January

#### Key points:

- UK construction sector experiences growth slowdown at the start of 2016
- Job creation eases to its slowest for almost two-and-a-half years
- Construction firms report lowest business confidence since December 2014

#### Markit/CIPS UK Construction PMI®

PMI, Seasonally Adjusted, 50.0 = no-change



Source: Markit/CIPS

January data pointed to a renewed slowdown in output growth across the UK construction sector. At 55.0, down from 57.8 in December, the headline seasonally adjusted **Markit/CIPS UK Construction Purchasing Managers' Index® (PMI®)** remained well above the 50.0 no-change value, but signalled the slowest rate of expansion since April 2015. Moreover, aside from the pre-election slowdown recorded last year, the latest reading was the lowest since June 2013. A number of survey respondents noted that softer new business growth had acted as a brake on output growth and staff hiring at the start of 2016.

Higher levels of output were recorded across all three broad areas of construction activity monitored by the survey. Commercial work remained the best performing category in January, but the latest upturn was still the slowest since June 2015. At the same time, house building activity expanded at the second-weakest weakest pace for just over two-and-a-half years. Civil engineering was again the weakest performing area of activity overall, despite rebounding slightly from December's eight-month low.

Mirroring the trend for business activity, latest data signalled a slowdown in new order growth at the start of 2016. The latest increase in incoming new work was the slowest for four months. Survey respondents cited greater caution among clients and less favourable underlying demand conditions. That said, a number of construction companies also noted a sustained upturn in infrastructure-related contracts and new residential building work in January.

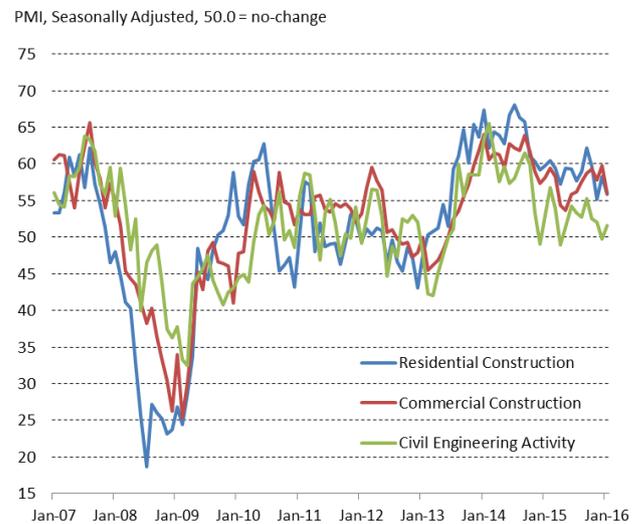
Looking ahead, survey respondents remained highly upbeat overall about their prospects for growth over the next 12 months, with around 46% expecting a rise in business activity and only 6% anticipating a reduction. However, the degree of positive sentiment eased for the third month running and was the lowest since December 2014. While there were widespread reports of strong order books and planned company expansions in 2016, some firms highlighted concerns that underlying demand conditions had started to soften.

Reduced optimism about the business outlook contributed to a moderation in job creation across the construction sector in January. The latest rise in employment numbers was the weakest since September 2013. Construction companies also signalled the slowest upturn in sub-contractor usage

for six months. Input buying meanwhile expanded at a weaker rate in January, with the latest rise the least marked since April 2015.

Supply chain pressure persisted in January, as highlighted by a further lengthening of delivery times from vendors. However, lower fuel and energy costs helped to partially offset rising prices for construction materials. Reflecting this, latest data indicated that overall input cost inflation was only slightly stronger than December's eight-month low.

### 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 firms struggled for momentum at the start of this year, with heightened economic uncertainty acting as a brake on new orders and contributing to one of the weakest rises in output levels since the summer of 2013. Softer growth of house building activity and a more subdued increase in commercial construction were the main factors behind the slowdown.”*

*“Business confidence appears to have subsided across the construction sector, following the multi-year highs seen in 2015. The latest survey indicated that construction companies are less upbeat about their prospects for growth than at any time since December 2014.”*

*“Job creation was sustained in January, but at the weakest pace for almost two-and-a-half years. Greater caution was also evident in terms of input buying at the start of 2016. Taken together with the slowdown in new order growth, the latest survey suggests that construction companies are braced for a relatively subdued first quarter.”*

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

*“The sector continued along a slow, relatively steady path this month with continuing growth but at a weaker rate than that seen in recent months and with some lack of clarity on its future destination.”*

*“Struggling to keep up with the recovery of recent months, the new orders index was the lowest for four months and overall activity growth softened, bringing with it lower job hiring and more caution about the sustainability of the current economic climate hit by adverse global conditions.”*

*“The housing sub-sector continued to disappoint and though still above the no change point, was at its second weakest level of growth since June 2013.”*

*“Supply chains were weighed down by the pressures of a shortage of bricks and blocks as delivery times became longer in an attempt to fulfil recent orders from last year. Optimism was still high, however, as business expansion plans continued although at a slightly more muted pace.”*

– 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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