

## News Release

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

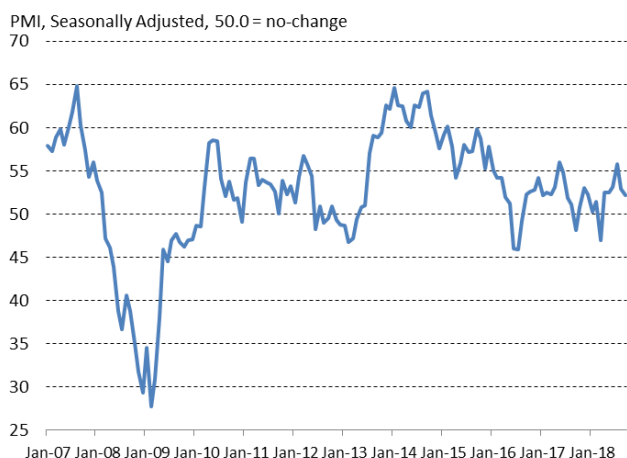
#### Weakest rise in construction output for six months in September

##### Key findings:

- All three sub-sectors record a loss of momentum since August
- Solid increases in new work and employment
- Business optimism at second-lowest level since February 2013

Data collected September 12-27

##### IHS Markit/CIPS UK Construction PMI:



Source: IHS Markit/CIPS

##### Summary:

UK construction companies indicated a sustained increase in business activity during September, but the rate of expansion slowed for the second month running. At 52.1 in September, down from 52.9 in August, the seasonally adjusted **IHS Markit/CIPS UK Construction Purchasing Managers' Index® (PMI®)** signalled the weakest upturn in output for six months.

Civil engineering was the worst performing sub-category of construction work, with activity declining

at a slightly quicker rate in September. House building and commercial construction continued to increase at a solid pace, although the latest survey indicated weaker growth than in August. A number of firms suggested that subdued economic conditions so far in 2018 remained a factor holding back business activity growth.

In contrast to the trend seen for construction output, latest data pointed to a faster rise in new business volumes. The rate of new order growth picked up to its strongest since December 2016, which firms attributed to resilient demand and an upturn in new invitations to tender.

A robust rise in staffing numbers was reported in September, helped by another improvement in new order books. The latest increase in employment was the fastest since December 2015. Sub-contractor usage also increased at the fastest pace for over two-and-a-half years. Survey respondents noted that their own payrolls had been boosted by a larger than usual intake of trainees and apprentices in September. There were also some reports that tight labour market conditions had led to a strategic focus on long-term hiring policies.

Delivery times for construction products and materials continued to lengthen in September. Intense supply chain pressures were attributed to stock shortages at vendors and stretched transportation capacity. That said, the latest downturn in vendor performance was slightly less marked than the three-and-a-half year low seen during August.

Rising demand for inputs contributed to a sharp and accelerated increase in average cost burdens during

September. The overall rate of input price inflation was the fastest for three months. Survey respondents widely cited higher fuel prices and greater raw material costs (particularly timber).

September data indicated a further decline in optimism about the year ahead business outlook. The degree of positive sentiment reported by survey respondents was the second-lowest since February 2013. Construction companies noted that political uncertainty and investor concerns about Brexit had dampened confidence in September. Where a rise in business activity was projected, forthcoming energy and transport projects remained the main areas of optimism.

## Comments

**Tim Moore, Associate Director at IHS Markit** and author of the **IHS Markit/CIPS Construction PMI®**:

*“UK construction firms experienced softer output growth during September, with house building, commercial and civil engineering all losing momentum. A lack of new work to replace completed projects meant that civil engineering saw an overall decline in activity for the second month running and remained the main laggard.*

*“There were mixed signals in terms of the near-term outlook. New order books strengthened to the greatest extent since December 2016, which indicates that construction workloads remain on an upward trajectory. Rising demand and tight labour market conditions led to robust job creation, with survey respondents commenting on a larger-than-usual uptake of apprentices in September.*

*“However, latest data showed that overall confidence about the year-ahead business outlook was among the lowest seen since the start of 2013. Construction companies continued to note that political uncertainty acted a key drag on decision-making, with Brexit worries encouraging a wait-and-see approach to spending among clients. The main areas reported as likely to see a boost in the coming year were construction work related to large-scale energy and transport projects.”*

**Duncan Brock, Group Director at the Chartered Institute of Procurement & Supply**, said:

*“Despite the biggest rise in new orders since December 2016, the sector remained in a downbeat mood with business optimism at its second lowest level since the beginning of 2013.*

*“A cause of this malaise pointed to increased cost burdens with both fuel prices on the rise, and acute shortages in raw materials, as supplier delivery times have lengthened to an extent not seen since 2015. The Brexit blot on the landscape was still in evidence as housing activity slowed to a pre-April growth rate and clients hesitated to place orders. Civil engineering was hit the hardest however and under 50 for the second month in a row, which points towards another contraction.*

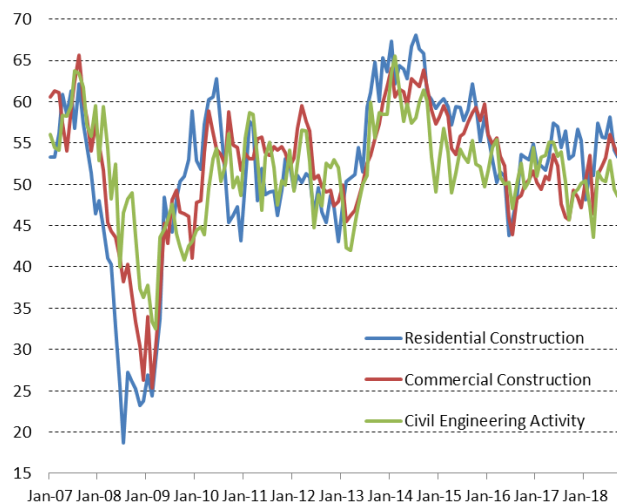
*“Workforce planning was not held back however, as the sector kept an eye on the future and increased operating capacity with the biggest rise in job creation since December 2015. Though the struggle for talent remained and many of the opportunities were for entry-level apprentices.*

*“This tale of feast and famine offers little in the way of reassurance and is more about holding on to stable growth than a sprint to the finish. The weakest overall activity in six months shows that caution and Brexit concern remain roadblocks to strong growth.”*

– Ends –

## UK Construction PMI<sup>®</sup> by Category of Activity

PMI, Seasonally Adjusted, 50.0 = no-change



Source: IHS Markit/CIPS

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### Note to Editors:

Where appropriate, please refer to the survey as the IHS Markit/CIPS UK Construction PMI<sup>®</sup>.

**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.

IHS 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 IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com)

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**Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>)** surveys are now available for over 40 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/product/pmi](http://www.markit.com/product/pmi).

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