

News Release

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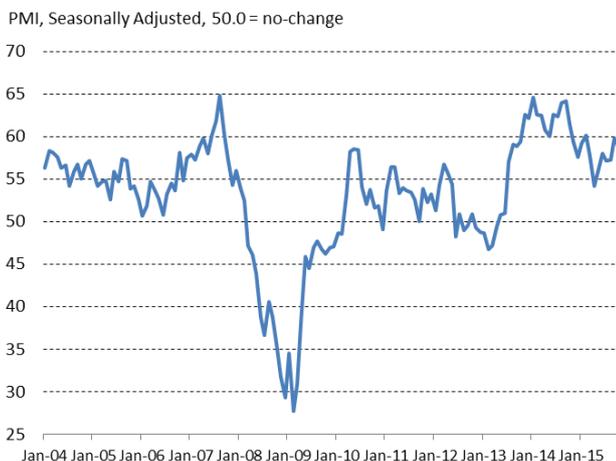
Markit/CIPS UK Construction PMI®

Strong construction output growth in October, helped by fastest rise in new work for 12 months

Key points:

- Business activity continues to rise in all three construction sub-categories...
- ...but only commercial building sees a faster increase than in September
- Employment growth picks up to its fastest since November 2014

Markit/CIPS UK Construction PMI®



Source: Markit/CIPS

October data highlighted another upturn in overall UK construction output, alongside a rebound in new order growth and the fastest pace of job creation for almost a year. Commercial building work was a key growth driver in October, as housing and civil engineering activity both expanded at slower rates than in September.

Despite a robust and accelerated rise in input buying, latest data indicated the lowest strain on supplier

delivery times for almost five years. Meanwhile, relatively subdued cost inflation continued in October, helped by falling raw material prices (especially metals).

The headline seasonally adjusted **Markit/CIPS UK Construction Purchasing Managers' Index® (PMI®)** registered 58.8 in October, which was down from 59.9 in September but still well above the 50.0 no-change threshold. As a result, the latest survey marked two-and-a-half years of sustained output growth across the UK construction sector. While the pace of expansion remained weaker than seen on average in 2014, the latest reading was comfortably above the pre-election low recorded in April (54.2).

Higher levels of activity were recorded across all three broad categories of construction monitored by the survey. However, housing activity growth eased from September's 12-month high, and the latest rise in civil engineering was the slowest since May. Commercial building work increased at the sharpest pace for eight months.

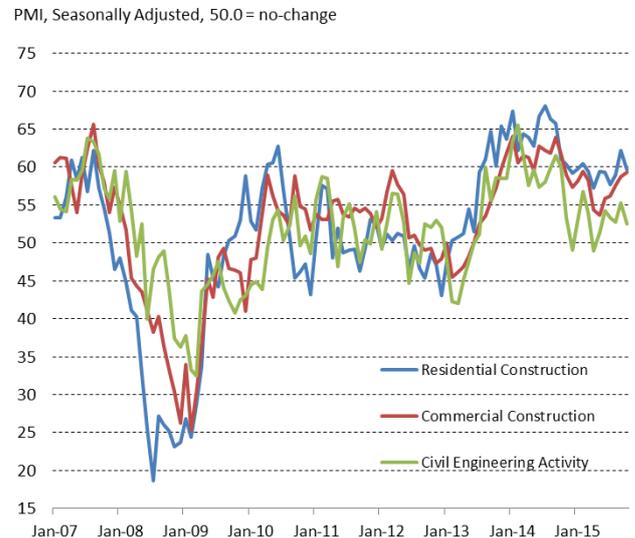
Reports from survey respondents suggested that greater output volumes reflected a strong pipeline of work-in-hand, alongside faster new order growth over the month. The latest rise in incoming new work was the steepest since October 2014, with construction companies highlighting new project wins from both public and private sector clients.

Looking ahead, construction companies remain highly upbeat about their prospects for growth over the next 12 months, with more than half (59%) forecasting a rise in business activity and only 7% expecting a decline. Anecdotal evidence cited an encouraging number of new invitations to tender and expectations of solid spending levels among key clients.

Construction companies responded to the rebound in new business growth by taking on staff at a faster pace. Moreover, some firms commented on efforts to reduce their reliance on sub-contractors. Latest data pointed to a fall in sub-contractor availability for the twenty-eighth month running, which is the longest continuous period since 2003.

Input buying increased at the steepest rate for nine months in October. However, supplier performance deteriorated to the least marked degree since November 2010. A number of construction firms noted that greater capacity among suppliers had helped to alleviate the pressure on average lead times for raw materials.

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:

“October’s survey indicates that the UK construction sector remains firmly in expansion mode, although commercial building work was the only category to experience faster growth than in September.

“Another relatively buoyant construction PMI reading indicates that the sector remains in rude health. Rather than acting as a drag on the economy, as suggested by recent GDP estimates, the sector is continuing to act as an important driving force behind the ongoing UK economic upturn.

“Construction companies also noted a rebound in new business flows during October and responded to rising workloads by taking on extra staff at the fastest rate for almost a year. Shortages of skilled staff persisted as a result, with the current period of falling sub-contractor availability the longest seen in over a decade.”

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

“Supplier performance deteriorated to the least marked extent for almost five years in October, as capacity was increased to meet an upsurge in purchasing activity – the strongest for nine months.

“Prompted by a rise in new orders, pipeline work, low raw material costs and more marketing activity, the sector also experienced the speediest expansion in staffing levels since November 2014 to meet this increased volume of contract demands.

“With sustained growth now for two-and-a-half years, respondents also reported more confidence in the sector and from clients, and an expectation of an even stronger performance next year.”

– 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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