

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:30 (UK), 2 October 2014

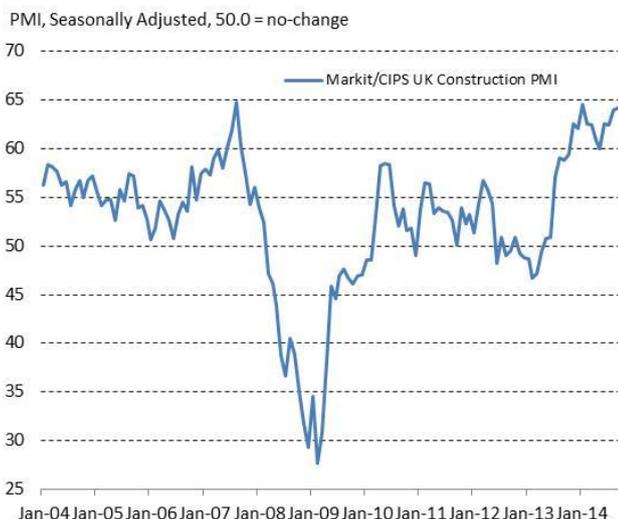
Markit/CIPS UK Construction PMI®

Sharpest expansion of construction output for eight months

Key points:

- Faster increases in commercial and civil engineering activity
- Residential activity rises sharply, but at slowest pace for four months
- Confidence towards the business outlook slips to 11-month low

Markit/CIPS UK Construction PMI®



Source: Markit/CIPS

Strong output growth was maintained across the UK construction sector in September, supported by sharp rises in housing, commercial and civil engineering activity. However, while the overall performance of the construction sector was close to its strongest since the summer of 2007, latest data indicated that new order growth and job creation both eased to their lowest for four months. Moreover, supply chain pressures resulted in a further steep increase in input costs, as well as

further delays in the receipt of construction materials.

Adjusted for seasonal influences, the **Markit/CIPS UK Construction Purchasing Managers' Index® (PMI®)** posted 64.2 in September, up fractionally from 64.0 in August. The latest reading signalled a sharp expansion of overall construction output that was the steepest since January (and the second-fastest seen over the past seven years).

The rise in the headline index was driven by an acceleration in both commercial and civil engineering activity growth during September. Commercial construction increased at the strongest pace since January, while civil engineering output rose at the most marked pace for six months. Meanwhile, housing activity remained the fastest growing area of construction output in September, but the rate of expansion eased to its weakest since May.

Survey respondents widely linked sustained construction output growth to the improving economic backdrop and an associated improvement in clients' willingness to spend. Moreover, some firms noted that greater business investment spending patterns, alongside a ripple effect from ongoing housing market strength, had helped boost commercial development activity during September.

Robust construction output growth in September was supported by a further strong expansion of incoming new work. That said, the latest increase in new business was the least marked since May.

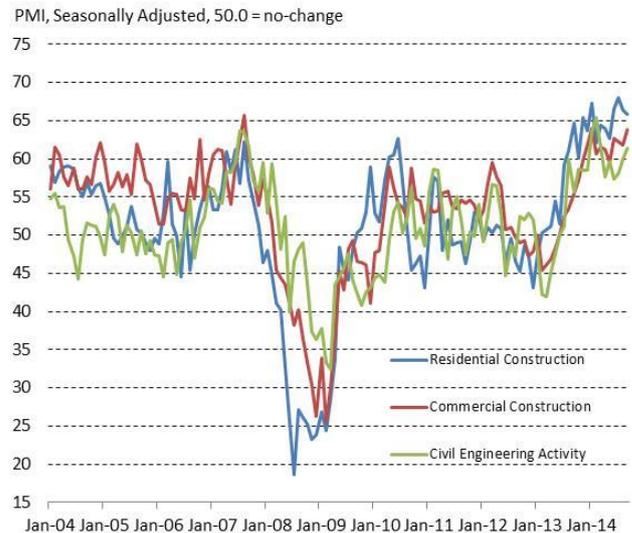
September data pointed to a further moderation in job creation across the construction sector from July's survey-record high. Sub-contractor usage increased for the fourth month running and the

squeeze on sub-contractor availability remained substantial, despite moderating from August's 17-year record.

Alongside pressures on skilled staff availability, construction companies pointed to ongoing supply chain bottlenecks in the wake of strong demand for construction materials in September. Latest data indicated that delivery times from vendors lengthened sharply over the month, with survey respondents mainly citing low stocks of bricks and blocks at suppliers.

Looking ahead, construction firms are highly upbeat about the business outlook, with more than half (54%) expecting a rise in activity over the next 12 months and only 12% forecasting a fall. However, the latest survey signalled that the degree of positive sentiment eased since August and was the lowest for almost a year.

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 experienced a sustained and strong output recovery during September, in contrast to the weakening picture seen across the manufacturing sector at the end of this summer. Survey respondents highlighted that improving domestic economic conditions helped boost funding availability and foster confidence towards large scale project commitments, especially in the commercial development sector.”

“Housing activity remains the brightest spot in the construction sector, but its outperformance has started to fade. Moreover, residential construction continues to see the most intense pressures on supply chains and skilled labour availability.”

“Looking ahead, construction firms are more cautious about their prospects for output growth than at any time since October 2013. Although positive overall, a range of factors tempered business optimism in September, including strong cost pressures, concerns about skilled labour supply and signs that house building growth has cooled from the multi-year records set earlier in 2014.”

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

“The construction industry’s strong performance continued unabated in September, sending out a reassuring message about the underlying health of the UK economy. As a sector, construction is sensitive to changes in economic fortune, so the fact that we are witnessing sustained growth bodes well as we enter the final quarter of 2014.”

“Domestic housing’s mantle of star performer was dislodged slightly in September, with growth in commercial and civil engineering activities accelerating notably. The rise in commercial activity was the second-fastest since the summer of 2007 and could be the most telling as it represents businesses’ willingness to invest; they are putting their money where their mouth is.”

“However, pressure points in the industry are becoming ever more acute as suppliers race to catch up after years of caution and capacity cutting. This is borne out in supply chain bottlenecks as a result of strong demand for construction materials, a squeeze on subcontractor availability and the lengthening of vendor delivery times. Years of caution may now impede the sector’s performance if suppliers cannot re-stock and hire at a speed that demand requires.”

– Ends –

Contact Information:

For economics comments, data and technical queries, please call:

Markit Press Office

Joanna Vickers, Corporate Communications

Telephone +44 207 260 2234

Email: joanna.vickers@markit.com

For industry comments, please call:

CIPS

Trudy Salandiak

Tel: +44 1780 761576

Email: trudy.salandiak@cips.org

Hill & Knowlton

Edward Jones

Tel: +44 (0)20 7413 3217

Email: edward.jones@hkstrategies.com

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 32 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.

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