

News Release

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

Construction PMI signals moderate fall in output levels at the start of 2013

Key points:

- Business activity falls for third month running in January
- New orders decline at slowest pace since October 2012
- Business outlook improves since December

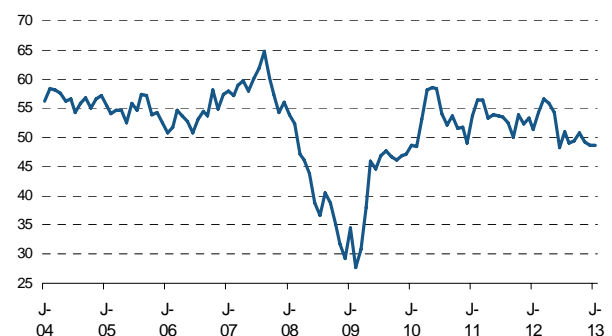
UK construction companies indicated that 2013 started with a moderate reduction in business activity, although the pace of contraction was unchanged since December. This was highlighted by the seasonally adjusted Markit/CIPS UK Construction Purchasing Managers' Index® (PMI®) – which measures overall output in the sector – posting 48.7 in January, unmoved from December's six-month low. The headline index has registered below the neutral 50.0 value for three months running, and the latest reading was well below the long-run series average (54.1).

Lower construction output in January reflected falling volumes of housing and civil engineering activity. While the decline in civil engineering was the first since August 2012, the latest drop in residential construction was the slowest for three months. There were some reports that snowfall had contributed to reduced output volumes, but the majority of respondents cited weak underlying client demand and a lack of new projects.

Commercial activity was the only sub-sector to buck the wider downward trend in output during January. Latest data pointed to unchanged volumes of commercial activity, which ended a five-month period of contraction.

Markit/CIPS UK Construction PMI®

PMI, SA, 50.0 = no-change



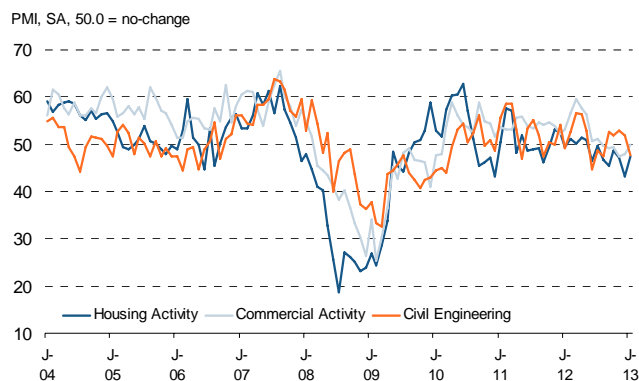
January data indicated an eighth consecutive monthly fall in new business intakes across the construction sector, which is the longest continuous period of decline since 2008/09. That said, the pace of contraction eased markedly since the previous month and was the slowest since last October.

Decreased new order volumes and lower output contributed to another reduction in input buying in January. Latest data also indicated a sharp deterioration in supplier performance, with vendor delivery times lengthening to the greatest degree in three months. Construction firms attributed longer supplier lead times to a combination of low stocks at vendors and disruptions caused by snowfall at the start of 2013. Average cost burdens increased again in January, but the rate of inflation was the slowest for six months and well below its long-run trend.

Meanwhile, survey respondents signalled an upturn in their confidence about the outlook for business activity over the next 12 months, with sentiment improving further from the near-four year low seen in November. Although the degree of optimism was still weak by the survey's historical standards, the latest reading was the highest since last July. This

in turn supported employment levels in January, with higher construction workforce numbers reported for the first time in four months.

UK Construction PMI[®] by Category of Activity



Comment:

Tim Moore, Senior Economist at Markit and author of the **Markit/CIPS Construction PMI[®]**, said:

“January’s survey results are yet another indicator of the severe underlying fragility across the UK construction sector, with output failing to rise in any of the three monitored sub-sectors for the first time since last summer.”

“Snowfall at the start of the year may have disrupted output to some degree, but unfavourable weather outside is clearly far down the long list of difficulties afflicting construction companies at present. Weakness was again most prominent within the house building sub-sector during January, while civil engineering swung back into contraction after a four-month period of growth.”

“Despite the ongoing downturn in output, there was some let up in the pace of new order decline, as well as a resilient employment trend in January. Looking ahead, construction firms reported improved optimism about the business outlook, although much of this appeared to rest on hopes that the chorus of calls for greater public sector investment spending starts to come to fruition.”

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

“Snow compounded difficult economic conditions to ensure the construction sector’s winter blues continued into January. Yet against expectations, businesses have a spring in their step looking ahead to 2013. This new-found confidence has been buoyed by news of public investment, but it could be found wanting, if the Government’s recent rhetoric on major infrastructure projects fails to bear fruit.”

“In a reversal of fortunes, the commercial sector stabilised after a tough second half of 2012, while civil engineering has experienced its first decline in 5 months. The housing sector continues to contract albeit at a less severe pace than we have become used to in the last year.”

“Levels of new business had been falling at a worrying pace and this decline appears to have stabilised to some extent; perhaps this is one of the reasons employment has grown for the first time since September. Like much of the sector however, staff numbers remain below the long term average and we expect this trend to continue across the board.”

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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 PMIs

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.

About CIPS

The Chartered Institute of Purchasing & 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 over 88,000 in 150 different countries, including senior business people, high-ranking civil servants and leading academics. The activities of purchasing 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.

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