

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:30 (UK), 4 February 2014

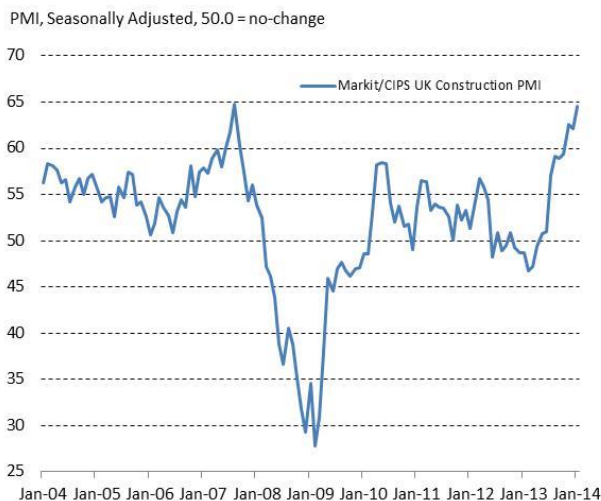
Markit/CIPS UK Construction PMI[®]

Sharpest rise in construction output since August 2007

Key points:

- Strong output growth recorded in all three sub-categories of construction
- Housing activity increases at sharpest pace for over ten years
- Strong rate of job creation maintained in January

Markit/CIPS UK Construction PMI[®]



Source: Markit/CIPS

January data indicated that UK construction companies started the year with an acceleration of output growth at their units, boosted by sharp rises in incoming new work. Stronger demand resulted in a marked increase in employment numbers across the construction sector as well as improved confidence about the business outlook for the next 12 months.

Adjusted for seasonal factors, the **Markit/CIPS UK Construction Purchasing Managers' Index[®]**

(**PMI[®]**) registered 64.6 in January, up from 62.1 in December and above the neutral 50.0 value for the ninth successive month. Moreover, the latest index reading pointed to the sharpest overall expansion of UK construction activity since August 2007.

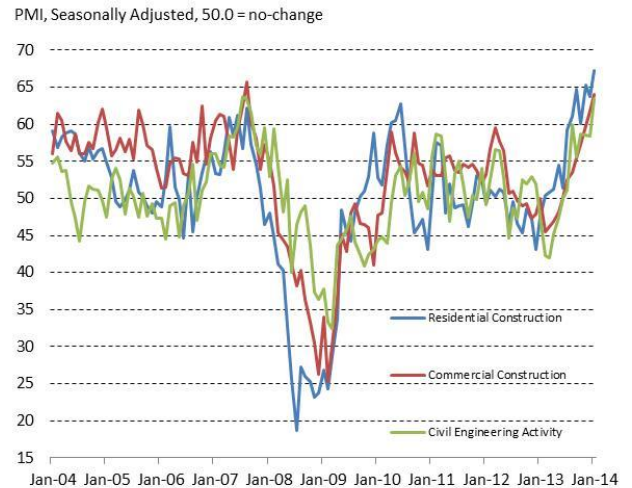
Output growth at the start of 2014 reflected rising levels of activity across all three broad areas of construction monitored by the survey. Residential construction remained the best performing sub-category, with the latest expansion of housing activity the steepest since November 2003. Meanwhile, commercial building work and civil engineering activity both increased sharply during January, and in each case the latest expansion was the steepest since the summer of 2007.

Volumes of new work received by UK construction companies increased for the ninth successive month in January. In line with the trend for output, the latest overall rise in new orders was the fastest since August 2007. Anecdotal evidence from survey respondents widely suggested that an ongoing upturn in domestic economic conditions, alongside greater access to finance among clients, had boosted new business volumes at the start of the year. Moreover, latest data indicated a strong degree of positive sentiment towards the outlook for business activity over the next 12 months.

Confidence about the year-ahead outlook was the most positive since September 2009, which in turn supported job hiring in January. Higher levels of employment have now been recorded in the construction sector for eight consecutive months, which is the longest continuous period of job creation since early 2008. Higher levels of business activity meanwhile boosted input buying across the construction sector in January. The latest expansion of purchasing activity was the steepest since August 2007.

Stronger demand for construction materials contributed to a further steep deterioration in supplier performance at the start of the year. Longer vendor delivery times have been reported in each month since September 2010, which survey respondents have generally linked to reduced capacity and low stocks at suppliers. Meanwhile, latest data indicated a sharp rise in average cost burdens, despite the rate of inflation easing to a five-month low.

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 provides reassurance that the UK construction recovery remains on track. The latest data show positive developments on a number of fronts, with job creation rebounding at the start of the year while output and new business growth was the fastest since the summer of 2007.

“Housing activity growth now stands at its strongest for just over a decade, boosted by growing demand for new homes and improving confidence within the UK property market. Meanwhile, strengthening domestic economic conditions spurred greater spending on commercial projects in January. A sharp rise in civil engineering activity completed an impressive showing from all three sub-categories of construction monitored by the survey.

“While input cost inflation eased in January, there were again signs that some suppliers are struggling to adjust to greater demand for construction materials. Vendor lead-times were lengthening even before the surge in construction output began last year, and now firms are reporting that cutbacks to capacity have caused supply bottlenecks as demand picks up across the sector.”

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

“The construction industry has started 2014 in formidable fashion, enjoying its strongest growth in six-and-a-half years reinforced by a sharp rise in new business orders. Housing activity growth was the highest in a decade and remains the fastest improving area of construction. This was supported by a solid expansion in civil engineering and commercial activity, confirming a distinctly positive picture across the board.

“Backed by positive domestic market conditions, the growth in new work is continuing to drive employment upwards, and has now been increasing for eight consecutive months. It is also pleasing to see that this is resulting in growing business confidence, with firms expecting to see more activity in the next few months.

“The one area which is beginning to be a concern is the ongoing pressure on suppliers to meet the rush in demand. As the industry’s lifeblood, suppliers are still recovering from the recession, and until they get back to full capacity, the continued lengthening of delivery times may become a restraining force on the sector in the coming months.”

– 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 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

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