

## News Release

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:30 (UK), 2 April 2015**

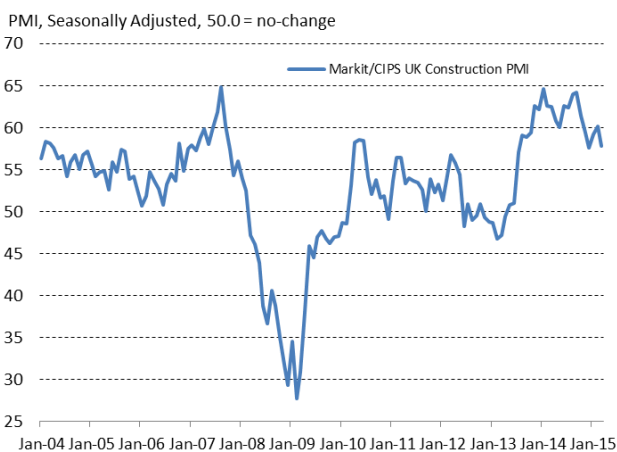
### Markit/CIPS UK Construction PMI<sup>®</sup>

## Business confidence at highest level for just over nine years, despite growth slowdown in March

#### Key points:

- Year-ahead output expectations reach highest level since February 2006
- Sub-contractor charges rise at fastest pace since survey began in 1997
- Slower growth of output and new orders in March

#### Markit/CIPS UK Construction PMI<sup>®</sup>



Source: Markit/CIPS

March data pointed to another strong month overall for the UK construction sector, with business activity and incoming new work continuing to rise at robust rates. That said, the latest upturn in overall output volumes was the least marked for three months, in part reflecting softer civil engineering activity growth, while job creation remained below the peaks seen in 2014. Looking ahead, construction firms reported a strong degree of positive sentiment towards the outlook for business activity over the next 12 months, with the latest reading the highest since February 2006.

The headline seasonally adjusted **Markit/CIPS UK Construction Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>)** posted 57.8 in March, down from 60.1 in February and the lowest for three months, but still well above the 50.0 no-change value. As a result, the latest reading pointed to a strong rate of overall construction output growth, albeit one that was below the average for 2014 as a whole (61.8).

All three broad areas of construction activity saw a loss of momentum since February. Housing remained the best performing sub-sector, followed by commercial construction. Meanwhile, civil engineering output growth eased markedly since the previous month and was the weakest performing category of activity.

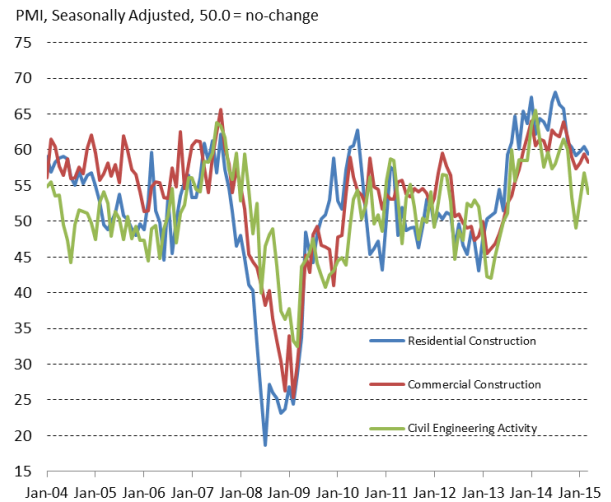
New business volumes continued to rise at a strong pace in March, although the rate of expansion eased from February's four-month high. Companies that reported an upturn in new orders generally cited improving economic conditions and greater underlying client demand. However, some construction firms noted that uncertainty related to the forthcoming general election had encouraged clients to delay spending decisions.

The latest survey pointed to an element of caution among construction companies in terms of additional job hiring, with overall employment numbers rising at the least marked pace since December 2013. Although the weakest for over a year, the latest expansion of staffing levels was still much faster than the long-run survey average. Meanwhile, sub-contractor availability continued to fall sharply, which in turn contributed to the steepest increase in sub-contractor charges since the survey began in April 1997.

Strong cost pressures persisted across the UK construction sector in March. Anecdotal evidence widely suggested that stock shortages at suppliers and robust demand for construction materials had led to increased input prices. Moreover, delivery times from vendors worsened during the latest survey period, with firms reporting extended lead times for a range of inputs (especially bricks).

Meanwhile, improving order books and sustained rises in new invitations to tender underpinned a marked upturn in business confidence. More than half of the survey panel (57%) forecast a rise in output over the year ahead, while only 3% expect a fall, which equates to the strongest degree of construction sector optimism for just over nine years.

### 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 output growth has settled in at a strong pace so far in 2015, although the recovery has lost some of its swagger since last year.”*

*“All three main categories of construction activity saw a growth slowdown in March, in part reflecting softer new business gains as some clients delayed spending decisions ahead of the general election.”*

*“However, UK construction companies are highly upbeat about their prospects for growth over the course of the next 12 months, helped by improving economic fundamentals, strong order books and a healthy pool of new invitations to tender.”*

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

*“The construction sector’s strong recovery took on a gentler, quieter pace, with the housing sector continuing to lead the way ahead – but only just, and with the commercial sector a close second.”*

*“A hint of restraint prevented employment levels rising much further. Some firms attributed slower momentum to concerns about the looming General Election, but new business still rose at a respectable pace compared to the average over the last few years.”*

*“Strong demand for construction materials was a key development and though major shortages are not yet apparent, there is some evidence that suppliers of construction materials must up their energy levels to quicken delivery times and raise capacity.”*

*“The main takeaway from this month must be the highest levels of confidence seen in the construction sector for almost a decade. Though there may be some low-level obstacles still to come, the sector gets the green light as there is evidently belief that the future for the construction sector is a sustainable one.”*

– 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](mailto: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](http://www.markit.com/economics).

#### About CIPS

The Chartered Institute of Procurement & 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 110,000 in 150 countries, including senior business people, high-ranking civil servants and leading academics. The activities of procurement 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. [www.cips.org](http://www.cips.org)

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