

United Kingdom

Job creation hits all-time high as economic growth surge continues in February

- All-sector PMI lowest since June as weather disrupts business but still points to robust first quarter growth of 0.7%
- Employment growth highest on record

Companies took on a record number of extra staff in February, according to PMI™ surveys, as firms boosted capacity in response to a brightening economic outlook. Despite unusually wet weather, the surveys signalled yet another month of vibrant business activity in February, suggesting the UK economy remains on course to notch up another quarter of robust growth in what is the best spell of economic expansion since 2007.

The three Markit/CIPS PMI™ surveys collectively signalled an expansion of private sector business activity for the fourteenth successive month in February. At 58.6, down from 59.1 in January, the 'all sector' output index fell for a fourth successive month from October's record high, dropping to the lowest since June, but nevertheless remained elevated by historical standards of the survey.

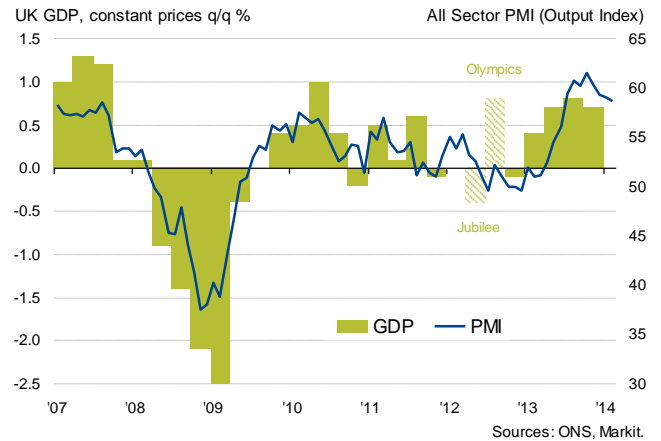
Economy enjoys strong first quarter

Comparisons of the PMI with official gross domestic product data indicate that the economy is on course to grow by 0.7% in the first quarter, building on similar above-trend rates of expansion seen over the last year.

Reassuringly, the easing in the rate of growth in the first two months of the year can be attributed to the wettest weather on record for parts of the country, which has included unprecedented flooding. PMI respondent companies reported that construction activity was often disrupted, travel and transport delays had affected businesses and households, and demand for leisure-based services had been hit.

An improvement in business confidence about the year ahead suggests that companies are generally expecting any bout of weakness to be temporary and that growth may pick up again in March. Optimism among service sector companies rose in February to

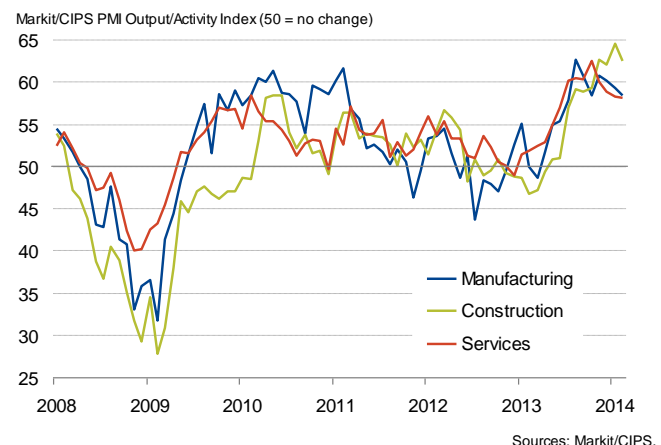
UK economic growth and the all-sector PMI



Employment



Output/business activity indicators



the highest since September 2009, while confidence in the construction industry remained at one of the highest levels seen since 2007.

The buoyancy of the surveys suggests that even the current consensus for the year for GDP to expand by 2.7% could be too conservative, given the pledge by the Bank of England to not tighten policy in the face of above-trend growth, provided inflation remains under control.

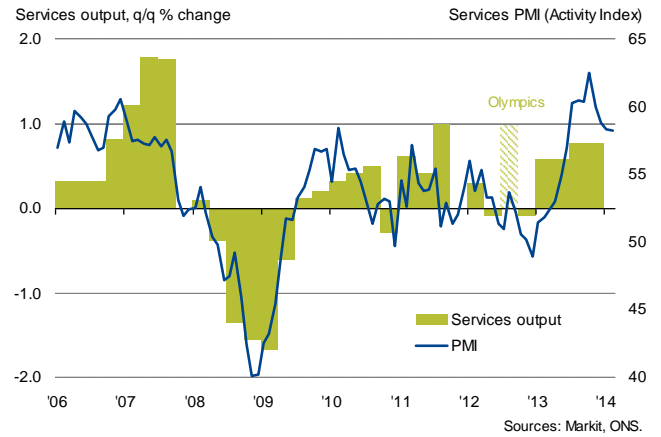
Record job creation

The brightening outlook has prompted firms to take on staff at a rate not seen before over the PMI surveys' 16-year history. The all-sector employment index rose to 56.0 from 55.7 in January as job creation gathered momentum in all three sectors. The survey is signalling a private employment rise of approximately 150,000 in the first quarter.

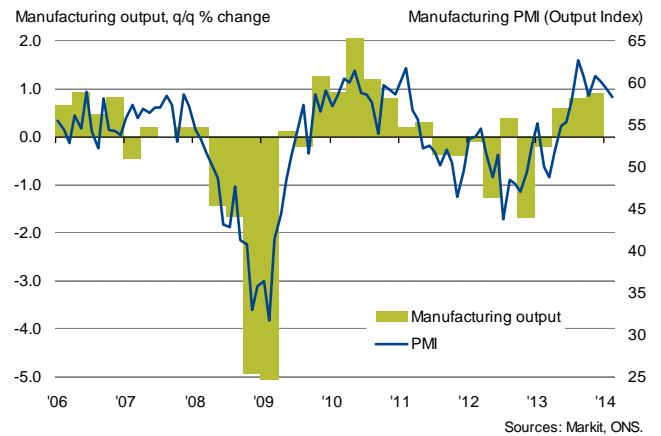
Construction leads upturn

By sector, it is the sustained strong pace of growth in the vast services sector which, due to its sheer size, remains the most important driver of the economic recovery. However, it is construction, buoyed in part by the recent surge in house building resulting from the various policy initiatives, that is enjoying the fastest rate of growth. Construction companies are currently reporting the strongest quarterly rise in activity recorded by the survey since 1997. Manufacturing meanwhile also continued to grow at a very strong pace by historical standards. Although growth of output slipped to a four-month low in February, the rates of growth of both production and new orders in the goods producing sector remained at some of the highest ever seen in the survey's two-decade history.

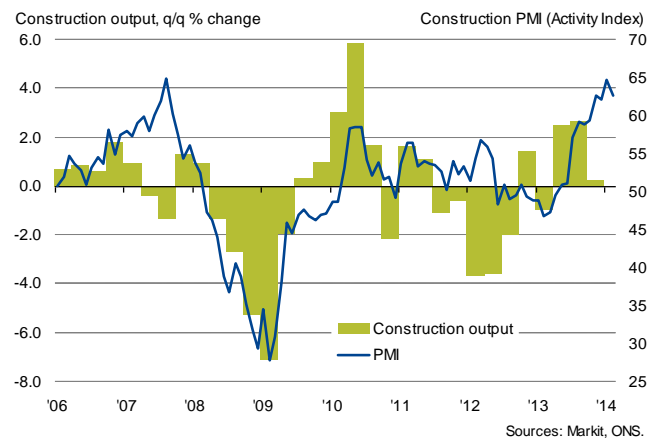
Services



Manufacturing



Construction



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