News Release

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IHS Markit Germany Construction PMI®

Construction sector sees ongoing supply disruption, but tentative signs of pressures easing

Key findings

New orders move closer to stabilisation

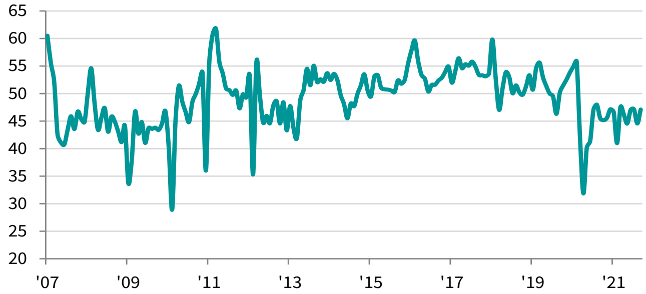
Least marked downturn in supplier performance since March

Input cost inflation remains elevated, but eases to six-month low

Data were collected 13-29 September 2021.

Germany Construction PMI Total Activity Index

sa, >50 = improvement since previous month



Source: IHS Markit.

Latest PMI® data pointed to another lethargic performance from the German construction sector in September, with supply bottlenecks, capacity constraints and strong price pressures each continuing act as headwinds to activity and new orders. More positively, however, employment rose for the first time eight months, while the rate of input cost inflation retreated to a six-month low amid fewer reports of supply delays.

The headline IHS Markit Germany Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry output – registered 47.1 in September. This was still below the 50.0 no-change threshold but up from August's 44.6.

The weakest-performing area of construction activity in September was civil engineering, which recorded a rate of decline that was little-changed from the previous month. By contrast, the downturn in commercial activity eased noticeably to the weakest since March, while work on residential projects moved closer to stabilisation.

Inflows of new orders in the construction sector remained subdued in September, with firms reporting difficulty securing new work due to a cost-driven rise in prices, as well as capacity constraints. That said, there were signs that the adverse impact of these factors were beginning to ease as intakes of new work declined to the smallest extent in just over a year-and-a-half.

Efforts by building companies to expand operating capacity saw employment levels rise – albeit marginally – for the first time since January. A lack of availability of sub-contractors remained an issue, however, with September's survey indicating a further sharp decline. Consequently, there was further strong upward

continued...

Comment

Commenting on the latest survey results, Phil Smith, Economics Associate Director at IHS Markit, said:

"Supply bottlenecks, capacity constraints and rising costs all continued to take a toll on the German construction sector during September. Latest survey data showed ongoing sluggish trends in activity and new orders, as firms reported disruption from material shortages as well as a negative impact on demand from having to raise prices in line with higher costs.

"For some building companies, skill shortages remained an issue, with the survey indicating a sustained sharp decline in the availability of sub-contractors during the third quarter. Employment at constructors rose during the month, though only slightly.

"As well as reporting a record increase in rates charged by sub-contractors, the majority of building firms faced higher purchase prices for materials in September. However, the rate of input cost inflation has come down further from July's all-time peak, while the number of businesses reporting longer lead times on building materials and products has dropped from the highs in the second quarter. These trends provide tentative signs of supply beginning to catch up with demand."

pressure on rates charged by sub-contractors, which rose to the greatest extent in the series history since 1999.

Constructors reported paying higher prices for building materials and products in September, particularly insulation, steel and timber. However, while remaining elevated by historical standards, the rate of purchase price inflation eased notably for the second month in a row to the weakest since March.

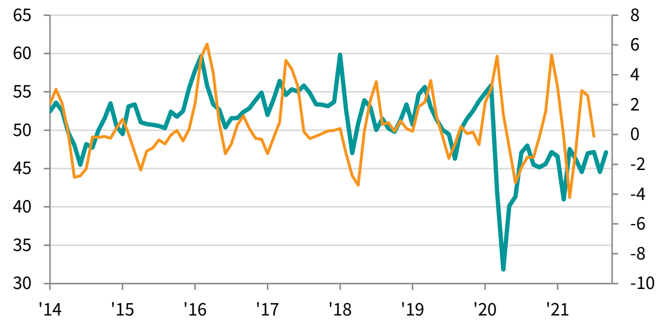
The softening of the rate of increase in costs coincided with a further reduction in the number of German constructors reporting longer lead times on purchases from a record high May. That said, in a historical context, the latest data still pointed to severely stretched supply chains.

Indeed, material shortages were factor weighing on constructors' purchasing activity during September. Buying levels have now fallen in each of the past five months, with the rate of decline showing little-change from that recorded in the previous survey period.

Looking ahead, German constructors on balance maintained a slightly negative outlook for activity over the coming year. Many firms reported concerns that higher prices – linked to supply chain issues – would curb demand.

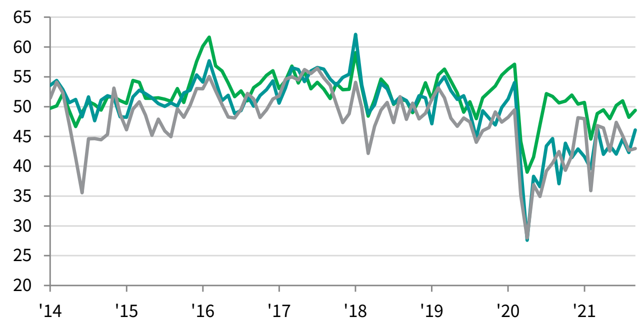
Germany Construction PMI Total Activity Index
sa, >50 = growth since previous month

Construction output
sa,% 3m/3m



Sources: IHS Markit, Eurostat.

Activity Index by sector
Residential / Commercial / Civil Engineering
sa, >50 = growth since previous month



Source: IHS Markit.

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Survey methodology

The IHS Markit Germany Construction PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 150 construction companies. The panel is stratified by company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Total Activity Index. This is a diffusion index that tracks changes in the total volume of construction activity compared with one month previously. The Total Activity Index is comparable to the Manufacturing Output Index and Services Business Activity Index. It may be referred to as the 'Construction PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates and history

September data were collected 13-29 September 2021.

Survey data were first collected September 1999.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 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.
ihsmarkit.com/products/pmi.html.