

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit Germany Construction PMI[®]

Construction activity growth remains solid in June

Key findings:

- Headline PMI ticks lower but remains well above 50.0 'no-change' mark
- Homebuilding leads broad-based increase in activity
- Employment and input buying rise at faster rates despite stagnation in new orders

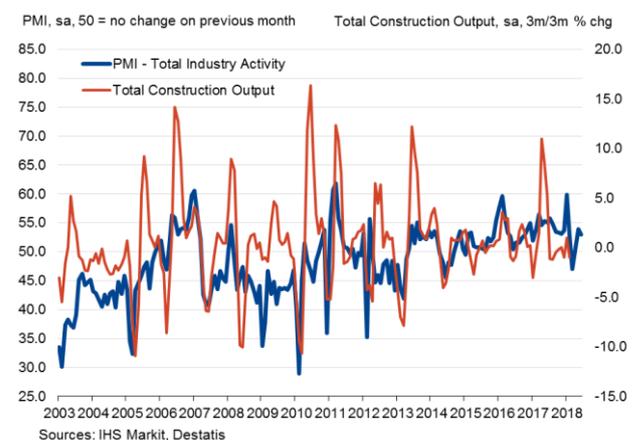
Data collected June 12-28

Construction activity in Germany maintained a solid overall rate of growth in June, despite the pace of expansion slowing slightly compared to that seen in May. Higher workloads translated into further strong increases in employment and demand for materials, with purchasing activity rising to the greatest extent since January. Less positively, reports of capacity constraints across the sector were reflected in stagnating order books, and constructors reported less optimism about the outlook.

The headline seasonally adjusted Germany Construction *Purchasing Managers' Index[®]* (PMI[®]) – which measures changes in the level of total industry activity compared with one month ago – registered 53.0 in June, down slightly from May's 53.9. The latest reading was broadly in line with the average recorded across the first half the year and signalled a solid rate of growth in the context of the historical series history.

By sector, housing activity showed the strongest rate of growth for the third month in a row. The pace of expansion in residential activity was down slightly since May but solid overall. This was also the case for commercial activity which, like homebuilding, has exhibited a sustained rebound throughout the second quarter after contracting in March. Civil engineering activity meanwhile increased for the first time in five months, albeit

IHS Markit Germany Construction PMI



only marginally

With activity levels continuing to rise in June, constructors increased their purchases of raw materials and building products. The expansion in purchasing activity was in fact one of the steepest recorded over the past seven years. Supplier delivery times worsened as a result, with the deterioration in vendor performance the most marked since November last year.

Constructors also reacted to higher workloads by creating more jobs in June. The rate of employment growth was solid and slightly quicker than that seen in May. However, constructors' use of sub-contractors fell amid a further sharp reduction in their availability.

Anecdotal evidence suggested that many constructors were working at or near to full capacity. This was reportedly a constraining factor on the inflow of new orders, which in June showed no change from the month before.

On top of capacity constraints, some constructors also raised concerns about a slowdown in growth in

the wider economy. Building firms generally remained optimistic towards the outlook, but the level of confidence moderated further from April's recent peak.

On the cost front, June saw a sharp and accelerated increase in purchase prices faced by constructors. As well as signalling upward pressure from raw material costs, the survey also highlighted the indirect impact of new toll charges.

Comment:

Commenting on the PMI data, **Phil Smith**, Principal Economist at IHS Markit said:

“June’s construction PMI data showed another fairly robust rise in the level of building activity in Germany, to signal a sustained rebound in the second quarter following snow disruption earlier in the year. Looking through the volatility and at the overall trend for the first half of the year, growth is slightly below that seen in 2017.”

“The survey data continued to highlight capacity issues as a constraining factor on the sector’s growth performance, with inflows of new orders unchanged in June despite reports of robust underlying demand for new projects. There might be a healthy pipeline of orders in place, but constructions have started to rein-in their expectations for future activity.”

“Homebuilding and commercial activity were the main growth areas, while it was also encouraging to see civil engineering emerge from its recent slump and eke out its first increase in activity since January.”

“June saw price pressures pick up in the construction sector, as in other parts of the economy. The survey highlighted the impact of new toll charges – introduced July 1st – which panellists indicated had already been factored into prices by some suppliers.”

-Ends-

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Note to Editors:

The Germany Construction PMI[®] (Purchasing Managers' Index[®]) is produced by IHS Markit and is based on original survey data collected from a representative panel of over 200 companies based in the German construction sector.

Data are collected at mid-month, asking respondents to compare a variety of business conditions with the situation one month ago. Data have been collected since September 1999.

A reading of below 50.0 indicates that the economy is generally declining, above 50.0 that it is generally expanding and exactly 50.0 indicates no change on the level recorded the previous month.

The PMI and related indices are directly comparable with all other national Purchasing Managers' Indices, including the United States and Eurozone PMI indices produced by IHS Markit, and are produced using identical methodologies in each country.

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