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## IHS MARKIT GERMANY CONSTRUCTION PMI®

### COVID-19 crisis weighs on new orders and activity in May, but downturn starts to ease

#### KEY FINDINGS

Activity, new orders and employment post further steep, albeit slower declines

Purchase price inflation eases to weakest in over five years

Activity expectations remain in negative territory

Data were collected 12-28 May 2020.

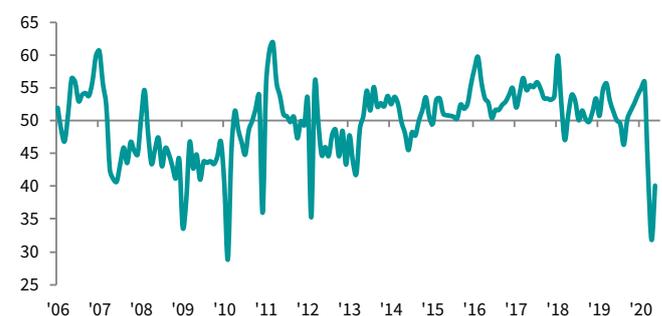
German constructors recorded a further fall in activity in May, according to latest PMI® data from IHS Markit, with the coronavirus pandemic reportedly weighing on inflows of new work and disrupting on-site work. Output and new orders both fell more slowly than in April, however, as did employment. Elsewhere, the survey showed historically soft cost pressures in the sector, with purchase price inflation easing to the lowest in over five years.

At 40.1, the headline seasonally adjusted IHS Markit Germany Construction Purchasing Managers' Index® (PMI®) – a measure of month-on-month changes in total industry output – remained deep in contraction territory in May, amid reports of restrictions on workplace activity (particularly indoors) and a slump in new work. However, this latest reading represented an improvement from April's near-record low of 31.9.

Underlying data showed sustained declines in activity across all main areas of construction, albeit with rates of contraction easing in each case. The steepest reduction was in civil engineering, followed closely by commercial activity. As has been the case since the onset of COVID-19 crisis, residential activity showed the greatest resilience to the downturn, though it still remained in one of its deepest slumps over the past ten years.

New orders at German constructors were down for the third month in a row in May. Surveyed businesses often cited a wait-and-see attitude among clients due to an uncertain outlook. Alongside this, there were reports of disruption

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



Source: IHS Markit.

to planning permission and tenders from the coronavirus outbreak. After a record fall in April, new orders dropped markedly again, albeit at a slower rate.

Constructors highlighted concerns about potential longer-term repercussions of the pandemic, including a weaker appetite for investment and squeezed council budgets. As such, expectations towards activity over the next 12 months remained in negative territory, albeit with the degree of pessimism easing further from March's 11-plus year low.

With workloads in decline and constructors uncertain of a swift pick-up in activity in the months ahead, May saw a third straight round of job cuts and a further drop in demand for sub-contractors. Though still falling markedly by historical standards (at the second-fastest in over ten years), employment declined more slowly than in April and, once again, to a lesser extent than activity.

Purchasing activity followed the trends seen elsewhere, down sharply for the third month running, but at a slower rate than in April. Weak demand for materials and other building products in turn weighed on input price inflation, which eased for the third straight month to the weakest since February 2015.

Rare instances of higher input prices often reflected supply issues, amid reports of transport disruption and difficulties sourcing some products. Reports of delivery delays were less widespread than March's recent peak, however.

## COMMENT

Phil Smith, Principal Economist at IHS Markit, which compiles the survey:

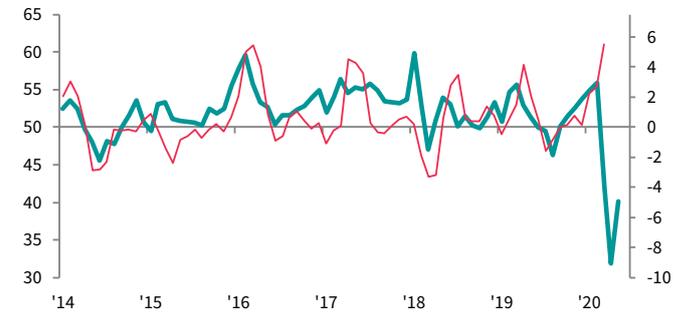
*"The latest PMI data point to another month of lower activity across Germany's constructor sector, albeit with the downturn easing since April and remaining less severe than in either manufacturing or services."*

*"The uncertain economic climate continues to weigh heavily on the inflow of new orders across the construction sector, which survey data show are down considerably from pre-COVID-19 levels. Furthermore, firms are fearful of a lasting impact, expecting both the private and public sector to be less forthcoming with tenders and orders."*

*"Given how the picture has changed since the start of the year and how firms have had to reassess their expected activity over the months ahead, we continue to see some retrenchment across the sector, though generally less than in other areas of the economy."*

### Total Activity Index

sa, >50 = growth since previous month



Sources: IHS Markit, Eurostat.

## CONTACT

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### Methodology

The IHS Markit Germany Construction PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in 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.

May data were collected 12-28 May 2020.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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### 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.

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