

Embargoed until 0930 CEST (0730 UTC) 6 July 2021

IHS Markit Germany Construction PMI®

Supply shortages and price pressures continue to impede construction sector

Key findings

Lack of available materials holds back activity in June

Record rise in input cost adds to supply chain troubles

Expectations towards year-ahead outlook remain

Data were collected 11-29 June 2021.

Supply bottlenecks impeded Germany's construction sector June, contributing to further declines in output and new orders, as firms struggled to source materials and demand was impacted by surging price pressures. Employment remained in decline, as did the availability of sub-contractors. With many of these brakes on output expected to continue, constructors maintained a negative outlook for future activity.

The headline IHS Markit Germany Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry output – registered 47.0 in June. The decline in the activity signalled by the index was slower than in May (44.5), however, owing in part to a marginal rise in residential work following four months of decline. The drag from falling civil engineering activity eased, but this was offset by a steeper contraction in the commercial sub-sector.

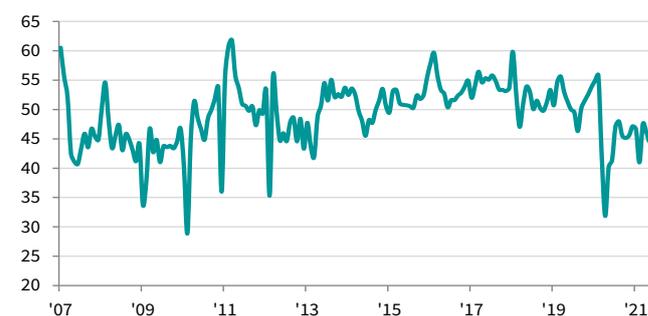
Declines in activity were often linked to shortages of building materials and products. Constructors' purchases were down for a second straight month in June, albeit only modestly amid efforts by some to build stocks. Furthermore, latest data showed a further sharp lengthening of input lead-times, with the number of reports of delays in the receipt of purchases second only to that seen in May.

Another factor weighing on activity was a continued decline in new orders at German constructors. The rate of contraction accelerated in June, showing the sharpest decrease for 12 months. A number of firms reported greater difficulty winning new business due to a cost-driven rise in their average prices charged. Capacity constraints were also cited.

Construction costs continued to soar in June, with the rate of

continued...

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



Source: IHS Markit.

Comment

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

"Construction activity in Germany is being held back by supply bottlenecks. Not only are building firms reporting difficulty sourcing materials, but sellers' market conditions across a range of products, from insulation and plastics to steel and timber, are driving up constructors' expenses at the fastest rate for over two decades. Some customers in the market for building work are experiencing prohibitive costs for new projects as a result."

"Housing activity remains a rare bright spot, while the strong drag from falling commercial activity continues. Even with the rest of the economy in recovery mode, constructors expect conditions to remain difficult over the next 12 months."

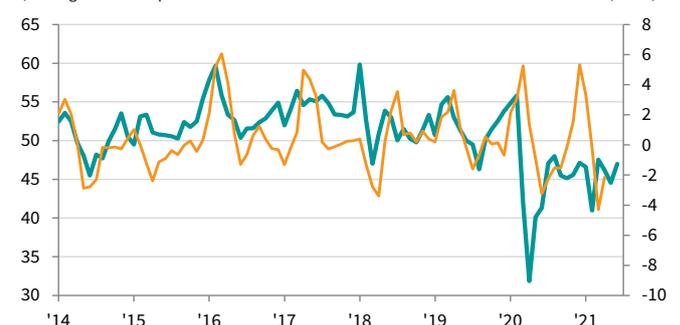
input price inflation edging higher and posting a new all-time record for the third straight month. Insulation, plastics, steel and timber were key drivers of the increase in costs, with each of these items widely reported to be in short supply.

June also saw a record rise in sub-contractor rates, adding to overall cost pressures. Meanwhile, the availability of sub-contractors worsened during June, as has been the case in each month since November last year.

As well as a fall in sub-contractor usage, constructors noted a further reduction in employment at the end of the second quarter. The decline in payroll numbers was modest, however, and the weakest for three months.

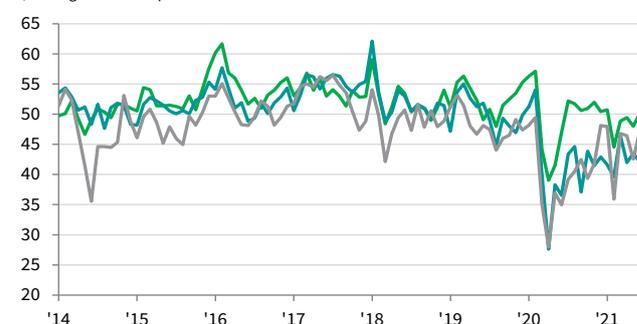
Looking ahead, constructors' expectations for activity over the next 12 months remained in negative territory. Material shortages and associated price pressures were seen as key threats to the outlook, anecdotal evidence showed, alongside the linger effects of the pandemic on demand. Firms were slightly less pessimistic than in April and May, however.

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



Sources: IHS Markit, Eurostat.

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



Source: IHS Markit.

Contact

Phil Smith
Economics Associate Director
IHS Markit
T: +44-1491-461-009
phil.smith@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44-2072-602-234
joanna.vickers@ihsmarkit.com

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

June data were collected 11-29 June 2021.

Survey data were first collected September 1999.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please contact joanna.vickers@ihsmarkit.com. To read our privacy policy, click [here](#).

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