# News Release

Embargoed until 0930 CET (0830 UTC) 4 February 2021

# IHS MARKIT GERMANY CONSTRUCTION PMI®

## German constructors endure difficult start to 2021

### KEY FINDINGS

Total Industry Activity Index ticks down to 46.6

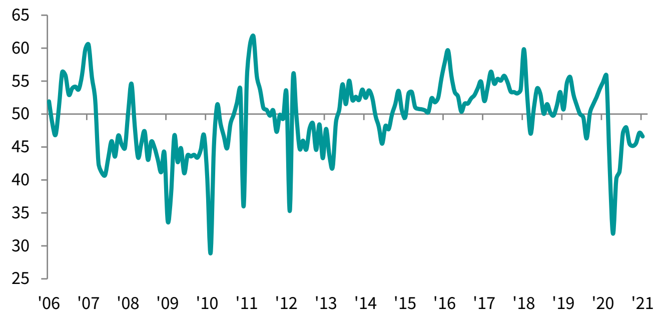
Commercial activity remains the worst-performing area

Growing supply pressures push up input price inflation

Data were collected 12-28 January 2021.

Total Activity Index

sa, >50 = growth since previous month




Source: IHS Markit.

Latest PMI® survey data from IHS Markit pointed to further weakness in German construction activity at the start of year, led by a sustained downturn in work on commercial building projects. Supply chain pressures meanwhile continued to increase, with January seeing longer lead times on building materials and products, as well as a sharp acceleration in the rate of input price inflation.

The headline seasonally adjusted IHS Markit Germany Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry output – registered 46.6 in January. That was down slightly from 47.1 in December, though still well above the lows seen in the spring of 2020.

The worst-performing broad construction category by some margin remained commercial activity. Here, the latest data showed a sharp and accelerated rate of decline. Work on civil engineering activity was also down on the month, though, as was the case in December, the rate of contraction was only modest. The strongest area of activity was residential, which recorded growth for the seventh month in a row, albeit at only a marginal rate.

The sector's performance continued to be undermined by slower inflows of new work. Panellists reported a general lack of demand and fewer opportunities to tender, often citing the ongoing influence of the coronavirus disease 2019 (COVID-19) epidemic. After having eased to the slowest for ten months in December, the rate of decline accelerated slightly.

More positively, January saw constructor sector employment rise – albeit fractionally – for the first time since February last year. Furthermore, the latest survey also recorded back-to-back increases in firms' buying levels. However, anecdotal evidence suggested that this partly reflected the efforts of some businesses to bring forward purchases amid concerns over rising prices.

The rate of purchase price inflation faced by German constructors reached a 23-month high in January. Panellists reported an increase in the cost of a range of materials, with steel commonly mentioned. The findings were in line with signs of growing pressure on supply, with the latest survey data showing average lead times on inputs lengthening sharply and to the greatest extent since last March.

Looking ahead, constructors remained downbeat about the prospects for activity in 12 months' time, citing concerns about the investment outlook. However, expectations were the least pessimistic since the COVID-19 epidemic began.

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## COMMENT

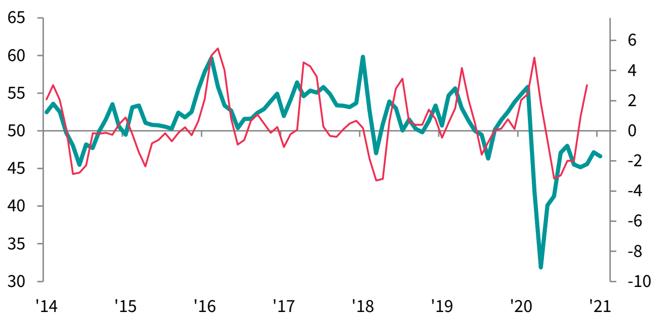
Phil Smith, Associate Director at IHS Markit, which compiles the survey:

*"January's survey pointed to a challenging start to the year for the constructor sector, not least because of the signs of increasing cost pressures resulting from emerging supply chain bottlenecks.*

*"The construction sector's performance continues to be held back by a sustained downturn in commercial activity, due to the financial pressures created by the epidemic and an unwillingness among businesses to invest in leisure and office space whilst much of it remains closed or underutilised.*

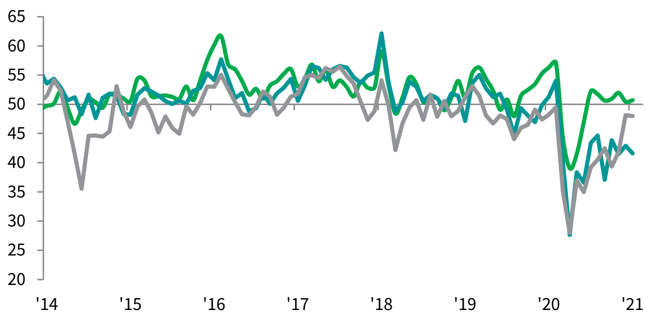
*"Uncertainty and pressure on client budgets are resulting in a shortfall of new work, which is also a source of concern going forward, with constructors remaining pessimistic about the year-outlook, contrary to the picture in manufacturing and services."*

Total Activity Index / Total Construction Output




Sources: IHS Markit, Eurostat.

Activity Index by construction category
Housing / Commercial / Civil Engineering




Source: IHS Markit.

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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.

January data were collected 12-28 January 2021.

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

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