

IHS Markit Germany Construction PMI®

Construction sector hindered by severe supply chain disruption in May

Key findings

Activity falls at fastest rate for three months

90% of constructors report longer lead-times on building materials

Cost pressures reach new record high, depressing business expectations

Data were collected 11-27 May 2021.

Germany's construction sector faced increased disruption from supply chain bottlenecks in May, latest PMI® data from IHS Markit showed. Activity fell at the fastest rate for three months, amid unprecedented reports of longer lead-times on building materials and products, as well as a sustained downturn in inflows of new work.

Widespread shortages of construction inputs meanwhile led to a sharp increase in purchase prices, with the rate of inflation at a new record high. Concerns towards the prospect of forced downtime on site and a threat to demand from price increases saw constructors' expectations for future activity turn more pessimistic.

The headline IHS Markit Germany Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry output – registered 44.5 in May. That was down from 46.2 in April and its lowest since February, when the sector was impacted by a bout of severe wintry weather.

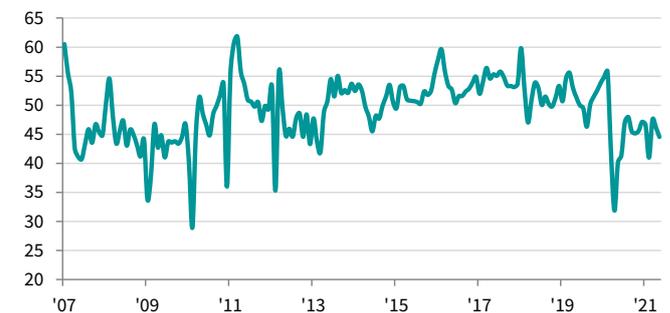
Detailed data showed marked decreases in activity across both the commercial and civil engineering categories, with the latter the main drag on total industry output in May. Housing activity continued to show a more resilient trend but was unable avoid a further contraction.

Several constructors reported taking on less new work in May, linked to raw material shortages and general capacity constraints. The survey also continued to highlight some reluctance to spend among clients. Overall, new orders fell at solid pace that was the fastest for three months.

The proportion of German building companies reporting longer lead-times on inputs stood at 90% in May, up from a previous

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:

"While manufacturing has long been showing strong growth and services is starting to revive again, the construction sector, by contrast, remains in the slow lane, with its performance in May the weakest since the snow disruption in February."

"Concerns among constructors have transitioned from the pandemic's impact on clients' willingness and ability to spend to now being dominated by worries about material shortages and an associated spike in costs. Supply disruptions threaten to constrain demand for new building projects as well as current activity on site."

"The numbers of businesses reporting delays across supply chains and rising costs are staggeringly high compared to what's been seen in the past two decades, and the impact is being felt across the board, in activity, new orders, employment and purchasing activity."

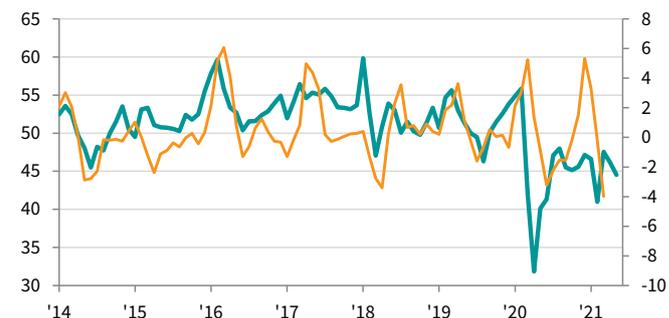
record of 76% in April (which was already far higher than ever before in the series history since 1999). Delays were linked to widespread shortages across supply chains, with surveyed firms noting a particular dearth of insulation, steel and timber.

Accordingly, May saw a further increase in cost inflationary pressures, with input prices rising at a record rate for the second month running (albeit accelerating only slightly since April). Purchasing activity among constructors meanwhile displayed a renewed decline after rising for the first time in three months in April, with difficulties sourcing materials highlighted as a factor.

Constructors' expectations for activity over the next 12 months turned more pessimistic in May, taking them to the lowest overall for five months. Anecdotal evidence pointed to growing concerns about supply chain bottlenecks and associated price increases, which added to more established worries regarding the outlook for investment spending in the aftermath of the pandemic.

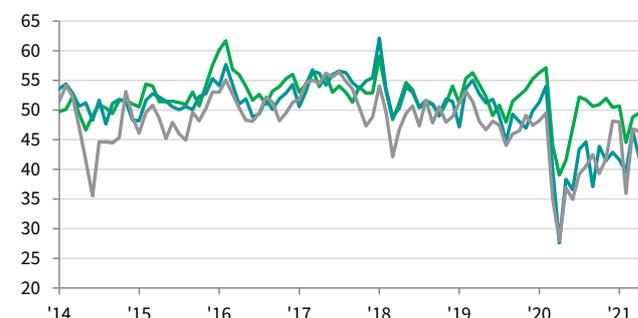
Lower activity levels were reflected in a further decrease in employment at constructors in May. The result marked a fourth straight monthly decline in staffing levels, albeit with the rate of job shedding remaining only modest. Sub-contractor usage also declined, although their rates continued to rise due to deteriorating availability.

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

May data were collected 11-27 May 2021.

Survey data were first collected September 1999.

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