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## IHS MARKIT GERMANY CONSTRUCTION PMI®

### Construction sector ends third quarter on more stable footing amid growth in homebuilding

#### KEY FINDINGS

Total industry activity up fractionally in September after back-to-back declines

New orders fall for fifth month running, but at a slower rate

Sentiment towards future activity remains subdued

The German construction sector ended the third quarter on a more stable footing, latest PMI® data showed, as a rise in housing activity offset further – albeit slower – decreases in commercial and civil engineering activity. There was also a renewed increase in purchasing activity and sustained growth in construction employment.

However, firms remained downbeat about the outlook amid a fifth straight monthly decrease in new orders.

Total industry activity rose fractionally in September after declines in each of the previous two months. This was highlighted by the headline seasonally adjusted IHS Markit Germany Construction Purchasing Managers' Index® (PMI®) – a measure of month-on-month changes in total industry activity – registering 50.1, up sharply from August's 62-month low of 46.3.

Key to this was a return to growth in housing activity, which in August had fallen at the fastest rate in over five years. The increase was only modest, but it nevertheless contrasted with further decreases in both commercial and civil engineering activity. The latest reduction in commercial activity was only slight and the weakest in the current three-month sequence of contraction. Civil engineering also fell at a slower rate, but one that was still solid overall.

Though easing since August, when it reached the fastest in over five years, the rate of decline in new orders at constructors likewise remained considerable in September. Panellists commented on a lack of tender opportunities, including from the public sector.

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



With surveyed businesses reporting high levels of work outstanding, September saw a further increase in construction employment. The pace of job creation picked up slightly since the previous survey period but remained well below the highs seen during the opening quarter of the year.

Latest data also showed an increase in the volume of building materials and products purchased by constructors, alongside a marginal rise in the use of sub-contractors. The increase in buying levels was reflected in a more marked deterioration in suppliers' delivery times.

Prices paid for purchases increased in September, though the rate of inflation eased for the seventh time in the past eight months to the weakest since February 2016. By contrast, sub-contractor rates rose more sharply, with the rate of increase reaching the highest since April.

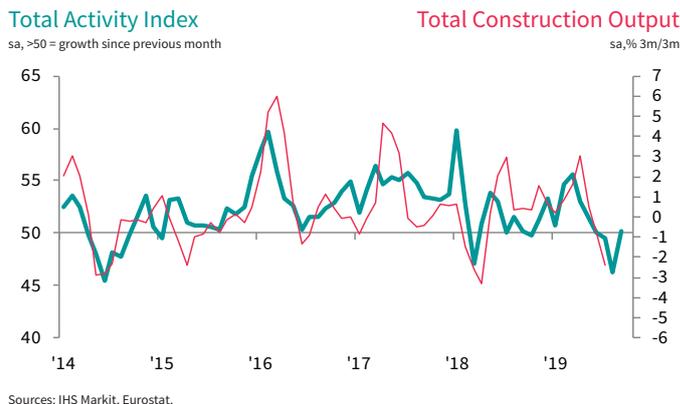
Lastly, September's survey revealed ongoing concerns among constructors about the outlook for activity over the next 12 months. In particular, firms expressed worries about the impact of the manufacturing downturn on prospects for commercial activity. Overall, sentiment remained slightly negative and close to August's 46-month low.

COMMENT

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

*"The brief downturn in construction activity ended in September, as homebuilding staged a mild recovery and the rates of decline in commercial and civil engineering activity eased. Total industry activity showed the smallest of increases, which was an improvement in the context of the recent falls but achieved mainly through work on backlogs as new orders dropped again.*

*"Expectations for activity over the coming year remain subdued relative to the highs in 2017 and 2018, which in large part reflects concerns that the downturn in the manufacturing sector will weigh on the number of new commercial building projects."*



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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.

September 2019 data were collected 12-27 September 2019.

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

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