News Release

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IHS Markit Germany Construction PMI®

Construction sector sees further decline in activity in August as supply issues continue

Key findings

Total Activity Index at three-month low of 44.6

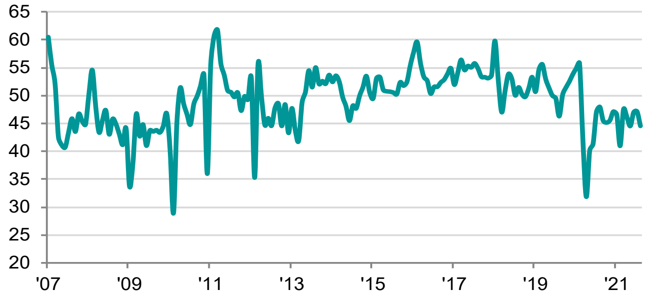
Renewed decline in residential activity

Material shortages continue to drive up costs

Data were collected 12-27 August 2021.

Germany Construction PMI Total Activity Index

sa, >50 = improvement since previous month



Source: IHS Markit.

Germany's construction sector remained stuck in a downturn in August, latest PMI® data showed, with businesses reporting further declines in activity and new orders as they continued to contend with sharply rising costs and supply bottlenecks. Constructors were less pessimistic about the outlook, however.

The headline IHS Markit Germany Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry output – stayed in sub-50 contraction territory in August. At 44.6, down from 47.1 in July, the latest reading was the lowest since May.

The main drags on activity continued to come from the commercial and civil engineering sub-sectors, where performances deteriorated since July. Moreover, they were joined in contraction territory by housing activity, which showed its first – albeit modest – decline for three months.

Inflows of new orders within the construction sector were also down in August, with the rate of contraction likewise accelerating from that seen at the start of the third quarter. Among the firms that recorded lower intakes of new work, there were mentions of a lack of public tenders and rising prices hitting client demand. Others meanwhile commented on capacity constraints.

Lower construction sector employment was a feature of the survey data once again in August. That said, the decline in staffing levels eased to the weakest since March and was only modest overall.

By contrast, purchasing activity among building companies in Germany fell at a faster rate. The magnitude of the decline was the steepest for six months, though it remained shallower than

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Comment

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

"German construction companies reported another challenging month in August, latest PMI data showed. One of the main concerns remains a rapid increase in the cost of building materials and products, which companies say is hitting demand as the price of building work rises accordingly.

"These price pressures stem from ongoing issues in supply chains, with many construction firms highlighting widespread shortages and longer wait-times on inputs.

"Nevertheless, the data at least point to a slight improvement in constructors' expectations towards activity over the coming year, albeit with the pessimists still slightly outnumbering the optimists.

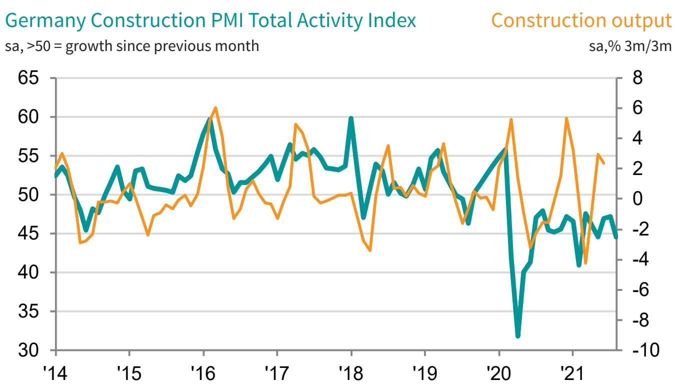
"The sector is struggling to gain any traction, and to add to matters, a fall in residential building work – the sector's main bright spot – created an additional drag on overall activity in August."

the contractions in both activity and new orders, amid efforts by some to mitigate the effects of longer input lead-times by over-purchasing materials.

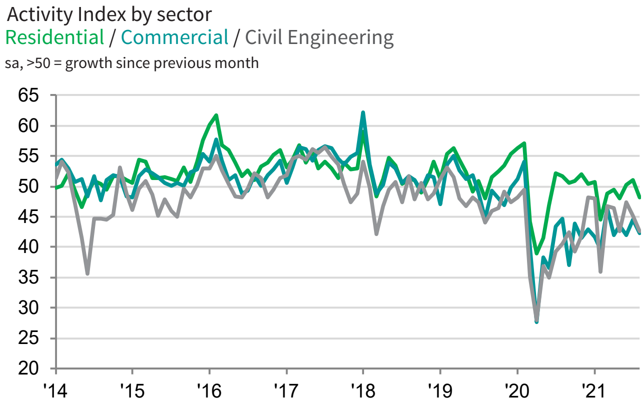
Reports of supply delays remained historically high in August, with constructors continuing to face shortages of a range of key building materials, including insulation, steel and timber. The rate of deterioration in supplier performance eased further from May's record, but it was still more marked than at any time in the 14 years prior to April.

Supply-demand imbalances were further reflected in another steep rise in average prices paid for building materials and products in August. After reaching successive record highs in each of the previous four months, the rate of inflation ticked down to its lowest since March, though it was still elevated by historical standards. Latest data also showed a further sharp – albeit slightly slower – increase in subcontractor rates.

Lastly, August's survey indicated an uptick in constructors' expectations for activity in the year ahead. Sentiment was still just inside negative territory, as firms continued to highlight concerns towards supply shortages and associated price pressures, though the degree of pessimism was the softest for five months.



Sources: IHS Markit, Eurostat.



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

August data were collected 12-27 August 2021.

Survey data were first collected September 1999.

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.

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.