# News Release

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# IHS MARKIT GERMANY CONSTRUCTION PMI®

## Construction activity rises at fastest rate since April, boosted by homebuilding

### KEY FINDINGS

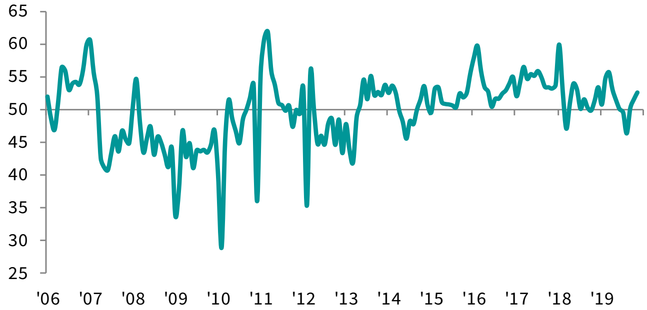
Upturn in housing activity contrasts with deepening decline in commercial work

Drag from civil engineering sub-sector continues to ease

New orders return to growth, driving up staff hiring

Total Activity Index

sa, >50 = growth since previous month




Source: IHS Markit.

Latest PMI® data from IHS Markit showed construction work in Germany rising at the fastest rate for seven months in November, driven by an upturn in housing activity. There was also a renewed increase in inflows of new orders during the month, which in turn contributed to an acceleration in job creation. More worryingly, however, the downturn in commercial activity deepened, while firms' expectations for building work in a year's time remained subdued.

The headline seasonally adjusted IHS Markit Germany Construction Purchasing Managers' Index® (PMI®) – a measure of month-on-month changes in total industry activity – registered 52.5 in November, up from October's 51.5 and its highest reading since April. The index has now risen in each of the past three months to signal a sustained rebound following August's recent low.

As in previous months, the rise in overall construction activity in November was driven by housebuilding, which recorded its steepest increase since April. The drag on overall activity from civil engineering meanwhile eased, as work in this construction category fell only marginally and at the slowest rate in the current eight-month sequence of decrease. Commercial was the worst-performing construction sub-sector in November, having seen its rate of decline quicken for the second month in a row. The drop in commercial activity was the second-fastest since March 2013.

Amid reports of greater opportunities to tender, constructors recorded a rise in new orders for the first time in seven months in November. This pickup in demand was reflected in an acceleration in the rate of job creation across the building sector to the fastest since April, as well as a renewed increase in the use of sub-contractors. Nevertheless, the pace of employment growth was still below the average over the current sequence of increase that began in July 2015.

Constructors raised their purchasing activity for the third month in a row in November, albeit with the rate of growth easing compared to that seen in October. There were signs of increased strain on supplier capacity, as lead times on inputs lengthened to the greatest extent for five months. Input prices nevertheless rose more slowly, with the rate of inflation ticking down to the weakest in almost four years. Firms reported a drop in steel prices weighing on overall cost increases. Adding to the picture, latest data showed the slowest rise in sub-contractor rates since January 2017.

November's survey showed ongoing concerns among constructors about the outlook for activity over the year ahead. Firms reported worries about the health of the economy and the implications for commercial activity in particular, while others also highlighted skill shortages as a factor that could restrict growth. Expectations remained among the lowest over the past four years.



PMI® By IHS Markit

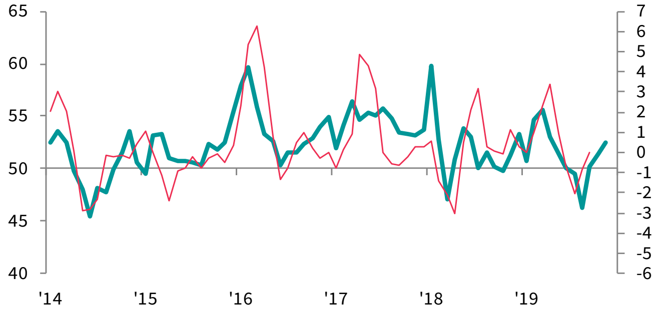
## COMMENT

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

*"Latest PMI data paint a healthier picture of the German construction sector as we move through the final quarter of the year. However, in reality, homebuilding remains the only area of real strength, buoyed by pent-up demand for housing, favourable borrowing conditions and rising property prices. Both commercial and civil engineering activity remain weak, albeit with the drag from work on infrastructure projects gradually fading.*

*"By contrast, commercial activity is still in the doldrums, reflecting a hesitancy among businesses to invest amid the soft and somewhat uncertain economic outlook. The current phase of falling commercial activity is the worst since early-2013.*

*"Expectations among building companies are subdued, and even those hopeful of more work see their optimism stifled by skill shortages. Still, the trend in new orders has improved, which will hopefully give the construction sector a lift as we head into year-end."*




Sources: IHS Markit, Eurostat.

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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.

November 2019 data were collected 12-28 November 2019.

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

### 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.



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### 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. To learn more go to ihsmarkit.com/products/pmi.html.