News Release

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IHS MARKIT GERMANY CONSTRUCTION PMI®

Construction activity growth eases to four-month low in May

KEY FINDINGS

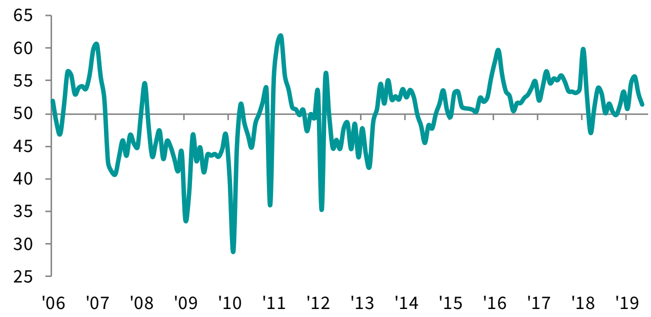
Housing remains best performing area, while civil engineering continues to falter

New orders fall for first time since August last year

Input prices rise at slowest rate for over a year

Total Activity Index

sa, >50 = growth since previous month



Germany's construction sector saw its weakest growth in total industry activity for four months in May, according to the latest PMI® survey. There were also slower increases in employment and purchasing activity, as firms responded to a first decrease in new orders since August last year.

On the cost front, May data showed further slowdowns in the rates of inflation of both input prices and sub-contractor charges.

The headline seasonally adjusted Germany Construction Purchasing Managers' Index® (PMI®) – a measure of month-on-month changes in total industry activity – registered 51.4 in May, down from 53.0 in April. The latest reading was the lowest since January and signalled a further loss of momentum from the 14-month high seen in March. Nevertheless, it compared favourably with a long-run average of 47.8.

Housing activity remained the best performing construction category in May, although the rate of expansion eased for the second month running and was only modest overall. It was a similar picture for commercial activity, which rose at the slowest rate in its current four-month sequence of growth. Work on civil engineering projects meanwhile fell for the second time in as many months, with the rate of decline gathering pace to the quickest since April 2018.

The weaker trends in activity in May partly reflected a general softening of demand conditions across the construction sector during the month. Though only modest, the decrease in new business was the most marked since April 2018.

Accordingly, latest data showed employment and purchasing activity rising at the slowest rates for seven months in May, while sub-contractor usage was scaled back for the first time since last November.

Input delivery delays remained a feature of the survey data in May. The extent of the deterioration in lead times was broadly in line with the average so far in 2019 and across the whole of 2018.

That said, there were signs of supplier pricing power moderating further in May, with the rate of increase in the cost of building materials and products slowing for the fourth consecutive month to the lowest for over a year. At the same time, the rate of inflation of sub-contractor charges eased sharply since April to the weakest since January 2017.

German building companies reported overall optimism towards activity prospects over the next 12 months, citing hopes for an upturn in new orders and plans for expansions to capacity. However, the degree of confidence eased further from March's recent high to the lowest in the year-to-date, as some businesses cited a lack of tender opportunities and the delay of projects due to uncertainty among clients.

PMI® By IHS Markit

COMMENT

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

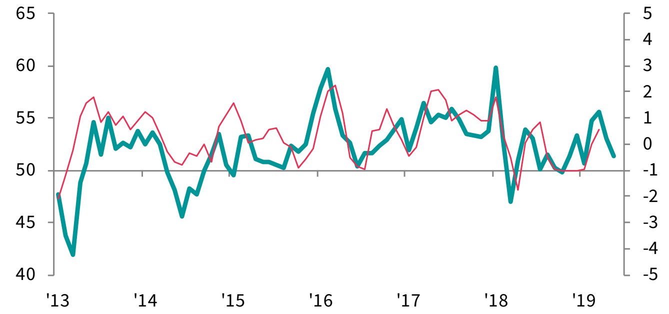
"After a solid performance in early-spring, the German construction sector continued to lose momentum during May, recording its weakest rise in total activity for four months.

"Contributions to the sector's overall performance remained unbalanced, with homebuilding again doing most of the heavy lifting and civil engineering continuing to act as a drag on growth.

"It's been a largely positive start to the year for the sector, but a first fall in new orders in nine months points to some downside risks to the short-term outlook. Job creation continues to slow, as more firms press pause on the hiring button while they wait to see if demand will pick up."

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

Total Construction Output
sa,% 3m/3m



Sources: IHS Markit, Federal Statistical Office.

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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.

May 2019 data were collected 13-30 May 2019.

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

About IHS Markit

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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.