

News Release

Embargoed until 0930 CEST (0730 UTC) 5 May 2022

S&P Global Germany Construction PMI®

Construction activity slumps in April as builders face supply and demand headwinds

Key findings

Total Activity Index falls to eight-month low of 46.0

New orders show deepening decline

Cost pressures remain elevated amid severe supply disruption

Construction activity across Germany slumped at the start of the second quarter as businesses across the sector reported a combination of falling demand and severe supply-side pressures, latest PMI® data showed. Activity fell for the first time in four months, with firms noting the steepest decline in new orders for two years. The situation was compounded by another sharp rise in the cost of building materials and products amid widespread shortages and surging commodity prices.

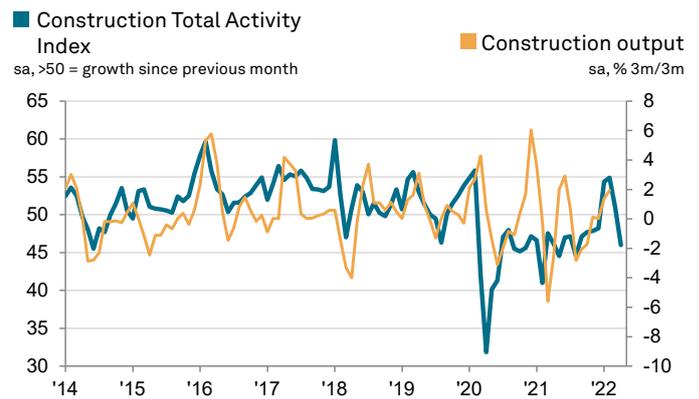
The headline S&P Global Germany Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry activity – fell sharply in April, down from March's 50.9 to 46.0. That signalled a drop in activity for the first time in four months, with rate of contraction the fastest since last August.

There were decreases in activity across all three broad construction categories monitored by the survey. Work on residential construction projects fell for the second month running and to the greatest extent since February 2021. The steepest decline was seen in commercial activity, which, like civil engineering, recorded its first contraction so far this year.

Reports from surveyed businesses highlighted delays on construction projects partly due to material shortages. Alongside this, April saw a sustained decline in demand for building work, linked to elevated prices and increased caution among customers. New orders fell for the second month running and at the quickest rate since April 2020.

The severe pressure on construction supply chains was underscored by a further marked lengthening of lead times on building materials and products, with the incidence of delays remaining among the highest on record. Constructors noted particular difficulty sourcing steel and insulation.

With demand-supply imbalances being compounded by soaring energy and transportation costs, April saw a further



Sources: S&P Global, Eurostat.
Data were collected 11-28 April 2022.

Comment

Phil Smith, Economics Associate Director at S&P Global, said:

"Construction activity in Germany has started to buckle under the pressure from supply bottlenecks, sharply rising prices and economic uncertainty, all of which have been compounded by the war in Ukraine and contributed to a considerable drop in demand for building work at the start of the second quarter."

"Latest PMI data showed activity levels falling across each of the main areas of construction in April, led by a steep downturn in work on commercial projects. With the survey indicating the steepest fall in construction new orders for two years, the outlook for activity, at least in the near-term, looks bleak."

"Indeed, constructors' expectations have slumped to their lowest since the initial COVID-19 shutdowns in the spring of 2020, reflecting concerns over headwinds to both supply and demand."

"Rising costs are posing a serious challenge to constructors, who are torn between trying to protect margins by passing on some of the burden and not pricing out their clients."

PMI®

by S&P Global

steep rise in construction input prices. The overall rate of cost inflation ticked down slightly since March but remained among the quickest in the history of the survey.

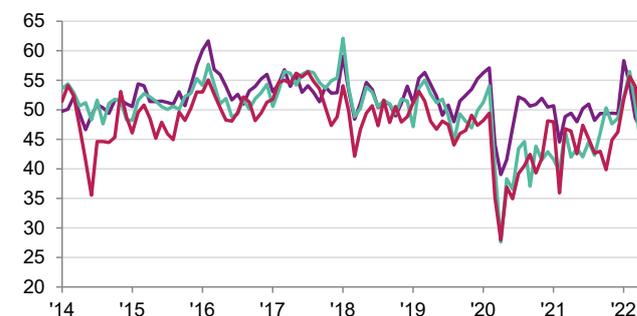
German constructors recorded a decrease in their purchasing activity at the start of the second quarter. Buying levels fell only marginally overall, however, and far less steeply than both output and new orders as some businesses sought to build up buffer stocks to mitigate against longer lead times on materials and future price rises.

One area where constructors made more notable cutbacks was employment. Staffing levels at building companies fell to the greatest extent for nearly two years, marking an abrupt turnaround from the strong job creation seen throughout the opening quarter of the year. Firms also reported a considerable drop in their use of subcontractors, although a continued dearth of availability continued to push up subcontractor rates at an unprecedented pace.

Turning to the outlook, German constructors signalled increased pessimism towards prospects for activity over the coming year. Expectations were at their lowest since the initial COVID shutdowns in the spring of 2020, weighed down by concerns over acute price pressures, material shortages and greater caution among clients owing to the uncertain economic environment.

- Housing Activity Index
- Commercial Activity Index
- Civil Engineering Index

sa, >50 = growth since previous month



Source: S&P Global.

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Survey methodology

The S&P Global Germany Construction PMI® is compiled by S&P Global 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 data were first collected September 1999.

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.

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