News Release

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IHS MARKIT GERMANY CONSTRUCTION PMI®

Strong rise in housing activity lifts construction PMI to seven-month high in December

KEY FINDINGS

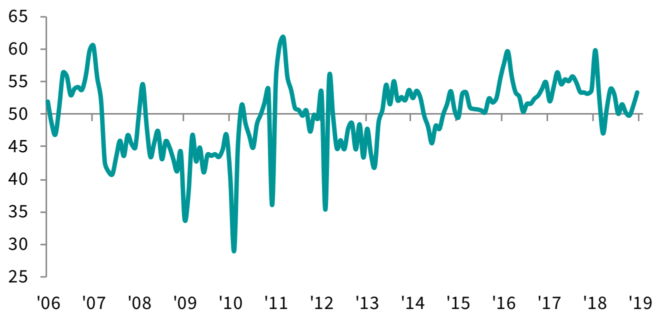
Activity, new orders and employment all rise at faster rates

Housing activity is strongest-performing sub-sector

Cost pressures remain elevated

Total Activity Index

sa, >50 = growth since previous month



Germany's construction sector ended 2018 on a stronger footing, according to the year's final PMI® data, with an upturn in homebuilding driving the steepest rise in total industry activity for seven months. The improved performance was further supported by greater inflows of new business, which grew at the strongest rate for 11 months. Accordingly, there were faster increases in both employment and constructors' purchasing activity.

Meanwhile, building firms continued to face strong cost pressures, with December's survey indicating elevated rates of inflation in both material prices and sub-contractor charges.

At 53.3, up from November's 51.3, the headline seasonally adjusted Germany Construction Purchasing Managers' Index® (PMI®) indicated the strongest growth in total industry activity for seven months in December. Driving this was a robust and accelerated increase in the level of housing activity, which rose at the fastest pace since last May. Growth in commercial activity moderated slightly and was only modest overall, while work on civil engineering projects decreased for the second month running (albeit to a smaller extent than in November).

Anecdotal evidence indicated that milder-than-usual weather in some areas during the month helped to support activity levels. The same factor also contributed to an increased inflow of new business, with constructors recording the strongest rise in order books for 11 months in December.

Greater workloads in turn had a positive impact on hiring. Employment rose at the fastest rate for eight months, with the pace of job creation recovering further from the near two-and-a-half year low seen in October. Concurrently, there was a renewed increase in constructors' use of sub-contractors following the slight decreases seen in October and November. The brighter picture also extended to constructors' purchasing activity, which showed the steepest rise for four months in December.

The latest survey showed a softening of capacity pressures across the sector. The incidence of input delivery delays was the lowest since last May, while the extent to which sub-contractor availability deteriorated was the least marked for almost two-and-a-half years.

Constructors continued to face sharply rising costs in December. Although easing from November's 13-month high, the rate of input price inflation remained among the strongest seen over the past seven years, linked to higher energy and transport costs. The pace of increase in sub-contractor rates meanwhile remained at its highest since last May.

Finally, December's survey indicated that constructors remained only mildly optimistic about the outlook for activity. Business confidence rebounded further from October's near three-year low, though the degree of positive sentiment remained much weaker than earlier in 2018.

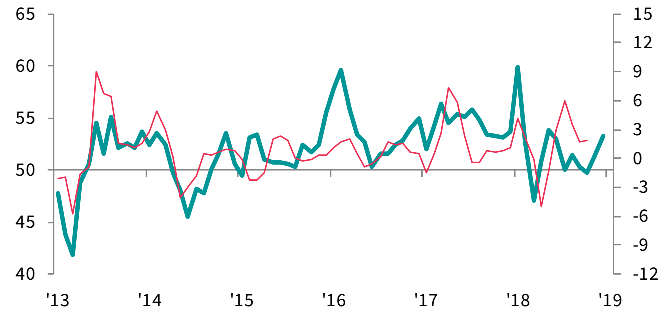
PMI® By IHS Markit

COMMENT

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

"The end of 2018 saw a broad-based upturn across the German construction sector, with PMI data showing stronger growth in output, new orders and employment. Evidence from the survey hinted that milder than usual weather across some areas had a positive influence on activity. In addition to temporary factors, the underlying trend in demand was already a positive one, with December marking the third month in a row that new order growth has accelerated.

"In terms of work on the ground, the upswing in activity in December was primarily driven by greater work on housing projects, which rose the most since last May. Owing in large part to an especially strong out-turn in the first quarter, commercial activity was 2018's strongest performing category of construction despite growth tailing off slightly in the final month of the year. Though still acting as a drag on the total level of output, civil engineering activity had its best quarter for over a year in Q4."



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.

December 2018 data were collected 5-20 December 2018.

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.