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## IHS MARKIT GERMANY CONSTRUCTION PMI®

### Construction activity stagnates in June as order books fall further

#### KEY FINDINGS

Drop in home building weighs on overall activity

New orders fall for the second month in a row

Firms retain preference for higher payroll numbers

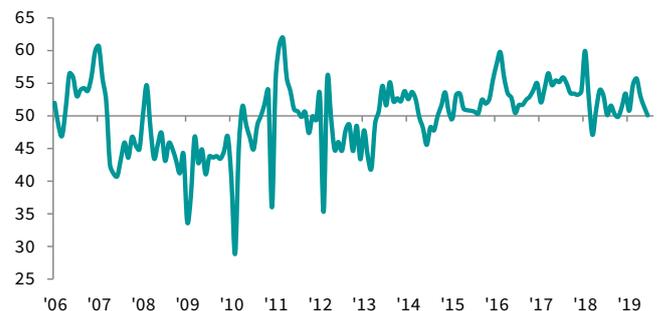
Activity across Germany's construction sector was unchanged during June, failing to rise for the first time in eight months, according to the latest PMI® survey. Only commercial work increased as firms noted modest declines in housing and civil engineering activity. Expectations towards future output remained positive, however, and firms continued raise both employment and purchasing activity.

On the cost front, rates of increase in both purchase prices and sub-contractor charges ticked up for the first time in five months, but nonetheless remained among the lowest seen over the past two-and-a-half years.

The headline seasonally adjusted IHS Markit Germany Construction Purchasing Managers' Index® (PMI®) – a measure of month-on-month changes in total industry activity – registered in line with the neutral 50.0 no-change mark in June, down from 51.4 in May and its lowest reading since October last year. Falling for the third month in a row, the index has signalled a sustained loss of momentum in the construction sector since growth peaked at a 14-month high in March.

The stagnation in total activity in June partly reflected renewed weakness in house building. This construction category had been the best-performing in each of the previous four months but recorded a contraction for the first time since last October. Commercial was the only area to see growth, with activity rising (albeit moderately) for the fifth month in a row. Work on civil engineering projects meanwhile decreased for a third straight month, but at a

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



slower rate than in May.

The amount of new orders placed with constructors fell for the second month running, and at the fastest rate since September 2015. A number of business commented on already-full order books following strong intakes of new work earlier in the year.

Employment at construction companies increased in June, and has now risen in every month throughout the past four years. Although remaining below the trend recorded over this period, the rate of job creation ticked up slightly since May. Growth in buying activity also quickened, but failed to recover to the rates observed in February to April.

Stronger demand for building materials and products meanwhile contributed to a further lengthening of supplier delivery times. There was also slight upward pressure on the rate of purchase price inflation, which ticked up from May's 13-month low, though still remained well below the highs in 2017 and 2018. Similarly, sub-contractor charges rose at a faster pace than in May – due in part to a sharper deterioration in availability – but more slowly than at any other point since January 2017.

Finally, June's survey showed that constructors remained optimistic about the outlook for activity for the next 12 months. Anecdotal evidence pointed to supportive factors such as strong underlying demand and low interest rates.

COMMENT

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

*"The latest figures show that the construction sector has lost all of its growth momentum, with the PMI slipping for the third month in a row in June to register in line with the 50 'no change' mark. Only commercial activity increased, with the previously strong housing activity component having its first setback in eight months.*

*"Total activity has plateaued after a solid opening quarter, when unusually mild weather helped to boost the level of construction work and new orders. The past two months have also seen a correction in new work as firms report already-high workloads and constrained business capacity.*

*"However, constructors remain in hiring mode and continue to scale up their purchasing activity, which reflects the still generally positive outlook for the sector. Firms foresee a continued appetite for new building projects over the coming 12 months, supported by the low interest rate environment."*

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.

June data were collected 12-27 June 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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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](https://www.ihsmarkit.com/products/pmi.html).