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## IHS MARKIT GERMANY CONSTRUCTION PMI®

### Construction activity falls at fastest rate for over a decade in April amid COVID-19 disruption

#### KEY FINDINGS

Downturn in activity accompanied by record slump in new orders

Commercial sub-sector leads broad-based fall in output

Pace of job losses accelerates to fastest in just over 15 years

Data were collected 7-28 April 2020.

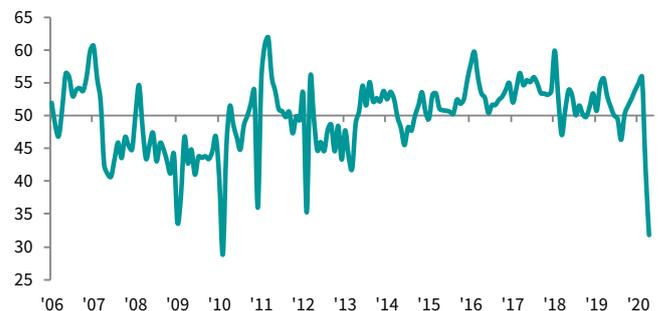
Germany's construction sector continued to suffer severe disruption from the coronavirus disease 2019 (COVID-19) outbreak and resulting containment measures in April, recording its steepest decline in activity in more than ten years, latest PMI® data from IHS Markit showed. A record drop in new orders and subdued forecasts for the year ahead meanwhile led constructors to deepen cuts to both employment and purchasing activity.

The headline seasonally adjusted IHS Markit Germany Construction Purchasing Managers' Index® (PMI®) – a measure of month-on-month changes in total industry activity – fell further into contraction territory in April, down from 42.0 in March to 31.9. This was the lowest reading since the series-record low of 28.9 in February 2010, when severe bad weather had exacerbated an ongoing slump in activity caused by the global financial crisis.

Data showed sharp falls in activity across each of the three broad construction categories monitored by the survey. Commercial activity recorded the steepest contraction, a record for this series. Work on civil engineering projects decreased to a similar extent, marking its worst performance since February 2012 (which like February 2010 had also seen particularly bad weather). Homebuilding was more resilient, though the rate of decline was still the fastest in over eight years.

New orders at German constructors fell at the sharpest rate in more than two decades of data collection in April. Reports from surveyed businesses highlighted clients' reluctance to

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



Source: IHS Markit.

place orders due to an uncertain outlook, alongside fewer public tenders and disruption caused by lockdown measures.

With new orders plummeting in April and firms warning of potential longer-term repercussions from the virus outbreak, including a downturn in the general economy and a weaker appetite for investment, confidence towards future activity remained firmly in negative territory in April. Expectations nudged up slightly since March, but were still the second-weakest since the depths of the global financial crisis.

After falling in March for the first time in almost five years, construction employment decreased again in April. Furthermore, the decline accelerated to the fastest for more than 15 years. At the same time, data showed a steep drop in sub-contractor usage.

Purchases of materials and other building products were scaled back to an extent not seen for more than a decade. However, despite falling demand for inputs, supplier delivery times continued to lengthen due to logistical issues resulting from virus containment measures.

Lastly, April data showed the rate of purchase price inflation faced by German constructors slowing sharply for the second month in a row, down to the weakest in more than four years. Anecdotal evidence highlighted the influence of lower commodity prices on world markets, including crude oil.

COMMENT

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

*"Construction activity has fallen off a cliff since the start of the COVID-19 outbreak, with commercial and civil engineering projects hit particularly hard. The decline in April is almost comparable with the sector's worst month on record in February 2010, when severe bad weather hit an already-weakened sector reeling from the impact of the global financial crisis.*

*"Constructors report a client freeze on new orders amid uncertainty towards the outlook for the economy and the virus outbreak itself, which has led them to retrench across the board, from staff numbers and sub-contractor usage, to purchasing activity.*

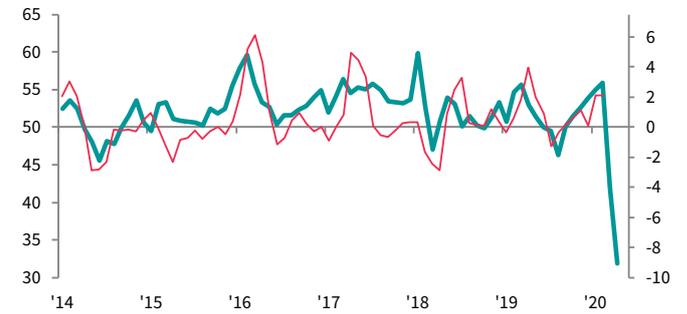
*"However, skill shortages have been an acute problem for the construction sector in recent times, which helps explain why, going by comparable PMI data, the decline in employment here has been less marked than in services and even manufacturing."*

Total Activity Index

sa, >50 = growth since previous month

Total Construction Output

sa,% 3m/3m



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.

April data were collected 7-28 April 2020.

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

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