

Embargoed until 0930 CET (0830 UTC) 6 February 2020

IHS MARKIT GERMANY CONSTRUCTION PMI®

Construction sector maintains strong growth momentum at start of 2020

KEY FINDINGS

Construction PMI at ten-month high in January

Faster rises in new orders, jobs and purchasing activity

Input cost inflation ticks up amid greater supply chain pressures

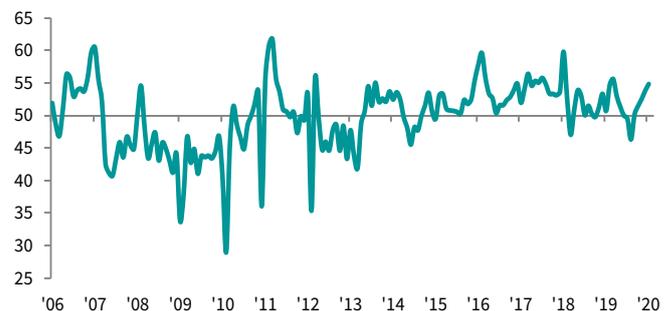
Germany's construction sector carried strong momentum into the new year, seeing growth of total industry activity accelerate for the fourth month in a row to the fastest since March last year. January's PMI® data from IHS Markit showed that the increase in activity coincided with rising inflows of new work, a pickup in job creation and greater confidence towards the outlook for activity over the next 12 months. There was also a strengthening of cost pressures, as higher demand for raw materials and other construction inputs placed greater strain on supply chains.

The headline seasonally adjusted IHS Markit Germany Construction Purchasing Managers' Index® (PMI®) – a measure of month-on-month changes in total industry activity – registered 54.9 in January, up from December's 53.8. The pace of growth signalled by the index was the second-fastest over the past two years.

As had been the case throughout most of 2019, the increase in total industry activity in January was led by homebuilding, which recorded a sharp rate of expansion that was the fastest for ten months. Commercial activity also contributed to overall growth, with the level of work on office spaces, manufacturing plants, retail centres and other commercial projects rising for the first time in seven months, albeit only modestly. Civil engineering activity meanwhile fell for the tenth month in a row in January, though the decline was only modest and the second-weakest in the current sequence.

Anecdotal evidence indicated that milder-than-usual weather had been a contributing factor in the upturn in total

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



Source: IHS Markit.

industry activity in January. At the same time, constructors noted an increase in underlying order book volumes, which were up for the third month running and showed a marked acceleration in the rate of growth to the fastest since February last year.

German building companies reacted to increased workloads by taking on additional staff and expanding their use of sub-contractors. Moreover, both the rate of job creation and the rise in sub-contractor usage were the strongest in ten months in January.

Higher activity and a growing pipeline of work also led to an increase in the volume of raw materials and other building products purchased by constructors. In line with trends elsewhere, the rate of growth accelerated to the fastest since March last year. Supply chain pressures increased as a result, with lead times on inputs lengthening to the greatest extent since last May and the rate of cost inflation ticking up sharply to a six-month high.

Looking ahead, constructors reported modest optimism towards the outlook for activity over the next 12 months, citing the recent strong inflow of new orders and growing backlogs of work. Though an improvement on the pessimism observed over the second half of 2019, the degree of confidence remained relatively subdued compared to the highs over the past four years.

COMMENT

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

"Germany's construction sector continues to go from strength to strength, with the PMI survey data indicating a further pickup in total industry activity growth at the start of the new decade. The performance in January was the best seen since early last year, with milder-than-usual weather reportedly helping to boost activity, just as it did in the first quarter of 2019."

"Housing activity remained the main bright spot, in line with the trend throughout most of 2019, though it was also encouraging to see a return to growth of commercial activity following this category's worst spell since early-2013. Meanwhile, the drag on growth from the civil engineering sector eased somewhat in January."

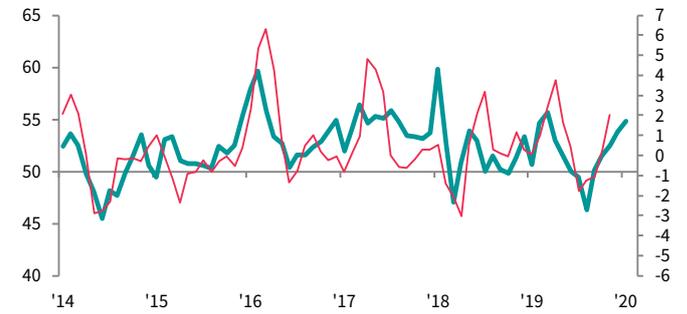
"Stronger inflows of new work triggered constructors to up the pace of job creation and expand purchasing activity. With suppliers facing increased demand, the rate of inflation of prices paid for raw materials and other building products jumped to a six-month high in January, albeit from a relatively low base."

Total Activity Index

sa, >50 = growth since previous month

Total Construction Output

sa,% 3m/3m



Sources: IHS Markit, Eurostat.

CONTACT

IHS Markit

Phil Smith
Principal Economist
T: +44-1491-461-009
phil.smith@ihsmarkit.com

Katherine Smith
Public Relations
T: +1-7813-019-311
katherine.smith@ihsmarkit.com

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.

January 2020 data were collected 13-30 January 2020.

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

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, click here.

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