

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 0930 (CEST) / 0730 (UTC) September 6<sup>th</sup> 2018**

## IHS Markit Germany Construction PMI<sup>®</sup>

### Construction output rises modestly in August, but new orders fall

#### Key findings:

- Activity returns to growth after stalling in July
- Orders books decline for first time in four months
- Input price inflation hits ten-month high

Data collected August 13-30

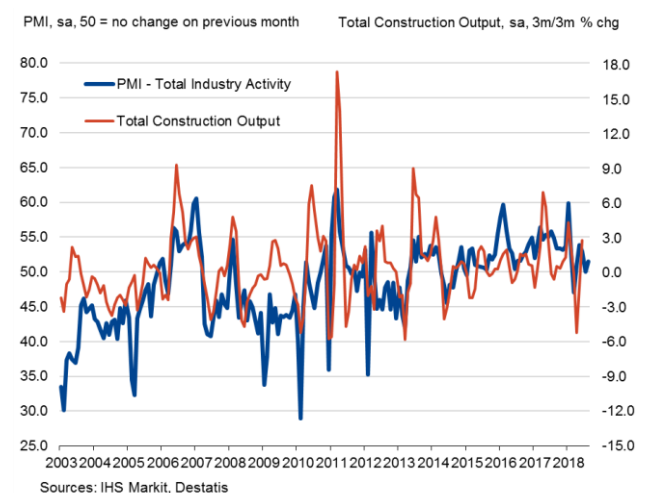
Latest survey data indicated a modest rise in German construction activity in August, but also revealed ongoing capacity constraints across the sector. Activity returned to growth midway through the third quarter after having stalled in July, with output up modestly across all three broad construction categories. However, new orders decreased during the month amid reports of already-full utilisation of resources. Constructors also noted a marked reduction in the availability of sub-contractors as well as increasing lead times on building materials and products.

The headline seasonally adjusted **Germany Construction Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>)** ticked up to 51.5 in August, after having registered in line with the 50.0 'no-change' mark in July. The latest reading was consistent with a modest rate of total industry activity growth and compared with a year-to-date average of 52.4.

The top-performing construction sub-sector in August was civil engineering, where activity rebounded after a downturn at the beginning of the third quarter, followed closely by commercial building. The rates of growth of both infrastructure and commercial activity were only modest, however, as was the case for work on housing-related projects.

August saw levels of building activity rise despite businesses in the sector reporting a lower intake of new orders during the month. The

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reduction in construction order books was the first seen since April and partly linked by surveyed companies to a lack of available resources.

Pressure on capacity led to constructors taking on additional staff during August, with the rate of job creation picking up from July's one-and-a-half year low (albeit remaining well below the highs seen around the turn of the year). The use of sub-contractors, however, continued to fall, reflecting a further sharp decline in availability. With sub-contractors in short supply, rates charged to building firms continued to rise sharply.

Adding to the cost pressures faced by constructors, August saw a steep and accelerated increase in average prices paid for building materials and products. The rate of inflation was the quickest since October last year, with a number of surveyed businesses linking the rise in input prices to the effects of new road toll charges.

Supply chains also remained stretched in August,

as highlighted by a further marked increase in average lead times on purchased items. The latest deterioration in vendor performance was in fact the most marked since last November.

Finally, latest data indicated a softening of constructors' expectations towards activity over the next 12 months. Easing further from April's survey-record peak, the degree of optimism was at its lowest since November 2016.

**Comment:**

Commenting on the PMI data, **Phil Smith**, Principal Economist at IHS Markit said:

*“Growth of German construction activity resumed in August after a brief pause in July when the level of output was unchanged. All broad areas of construction work showed an improvement, most notably civil engineering activity which returned to growth and rose by the most since January.*

*“August was an altogether underwhelming month, however, with total activity growing only modestly overall and more slowly than the average in the year so far, which itself is below the rate seen in 2017. Renewed weakness in new orders was the main reason for the construction sector's subdued growth performance, with surveyed firms often reporting that they lacked the resources to take on more new work.*

*“Capacity constraints were a theme throughout the data: from a lack of availability of sub-contractors, to bottlenecks in supply chains. These constraints not only held back the top-line growth number, but also affected constructors in the form of longer lead times on building materials and higher costs. There's also less optimism among building companies towards prospects for activity in the year ahead.”*

-Ends-

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### Note to Editors:

The Germany Construction PMI<sup>®</sup> (Purchasing Managers' Index<sup>®</sup>) is produced by IHS Markit and is based on original survey data collected from a representative panel of over 200 companies based in the German construction sector.

Data are collected at mid-month, asking respondents to compare a variety of business conditions with the situation one month ago. Data have been collected since September 1999.

A reading of below 50.0 indicates that the economy is generally declining, above 50.0 that it is generally expanding and exactly 50.0 indicates no change on the level recorded the previous month.

The PMI and related indices are directly comparable with all other national Purchasing Managers' Indices, including the United States and Eurozone PMI indices produced by IHS Markit, and are produced using identical methodologies in each country.

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