

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit Germany Construction PMI[®]

German construction growth eases, but cost pressures intensify

Key findings:

- Output growth softens to eight-month low
- Employment rises at fastest rate since February 2016
- Input prices pressures strongest since March 2011

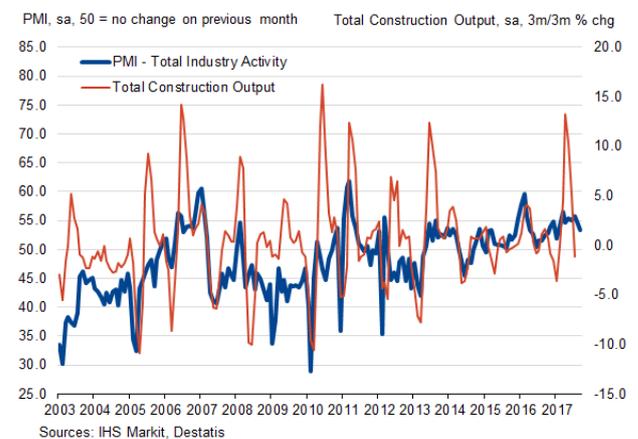
Data collected September 12-28

German construction firms signalled further growth in overall activity in September, according to the latest PMI[®] survey data from IHS Markit. Despite softening from August, the pace of expansion was solid. Similarly, new orders increased at a slightly slower rate in September. In line with sustained growth in activity, staffing levels rose at a marked pace that was the fastest since February 2016. On the price front, input costs paid increased at the quickest rate since March 2011. Sub-contractor charges rose at the fastest pace since the survey began in 1999.

Adjusted for seasonal factors, the headline Purchasing Managers' Index[®] (PMI[®]) – which is based on a single question asking respondents to report on the actual change in their total construction activity compared to one month ago – registered 53.4 in September, down from 54.9 in August. This signalled a solid expansion in overall construction activity growth, albeit the softest in eight months.

The expansion was supported by upturns in all three monitored sub-sectors, although momentum in each eased from August. Both commercial and civil engineering saw a solid increase in output levels, with the former signalling the strongest sub-sector expansion. Housing activity rose at a moderate rate that was the softest in 13 months, however.

IHS Markit Germany Construction PMI



In line with the trend seen for total activity, new orders received by German construction firms increased at a solid rate. However, growth was the weakest in three months. Panellists linked new business growth to strong client demand.

Job creation among construction firms was marked in September, with the pace of expansion accelerating to the fastest since February 2016. The rise in workforce numbers was commonly attributed to increased production requirements.

September data indicated that cost burdens faced by firms rose at the quickest rate since March 2011. Input costs increased at a steep pace and was largely attributed by panellists to higher raw material prices and supplier delays. Moreover, vendor performance deteriorated markedly. Lead times lengthened to the second-greatest extent since December 2006.

Sub-contractor usage continued to rise in September, despite the pace of growth easing to a five-month low. In line with this, sub-contractor availability fell further and at the fastest rate since

November 2006. Construction firms reported that sub-contractor charge inflation reached a series high, driven by squeezed availability.

Business confidence was subdued in September, with optimism the lowest in ten months. Although panellists linked positive sentiment to higher new orders and strong client demand, uncertainty was linked to concerns about the longer-term demand outlook.

Comment:

Commenting on the PMI data, **Sian Jones**, Economist at IHS Markit said:

“The German construction sector signalled a slight loss of momentum in September, with rates of both activity and new order growth easing. That said, the

expansions were solid overall, and the sustained increase in total activity was heavily linked to strong client demand.

“Meanwhile, cost burdens faced by German construction firms rose at the fastest pace since March 2011. Furthermore, vendor performance deteriorated markedly, with higher prices for construction materials largely attributed to greater pressure on supply chains.

“Despite activity increasing across all three construction sub-sectors, firms reported the lowest level of business confidence in ten months. Some survey respondents stated that subdued optimism was due to concerns regarding the longevity of the current demand trend.”

-Ends-

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Note to Editors:

The Germany Construction PMI® (Purchasing Managers' Index®) 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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