

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

Construction activity shows only modest rebound in April amid capacity constraints

Key findings:

- Activity rises modestly after severe weather caused disruption in March
- New order intakes fall following record surge in opening quarter
- Employment and input buying continue to rise amid elevated business confidence

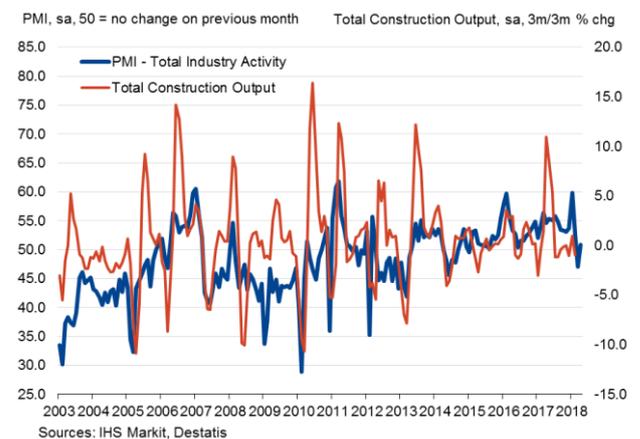
Data collected April 12-27

The level of total industry activity in Germany's construction sector returned to growth in April, after severe weather had caused disruption to building work at the end of the first quarter. However, the rebound was relatively muted amid signs of stretched capacity at sites, with building companies taking on less new work due to full utilisation of resources. Ongoing job creation and elevated business confidence nevertheless signalled that the sector remained on a strong footing.

The headline seasonally adjusted *Purchasing Managers' Index® (PMI®)* – which measures changes in the level of total industry activity compared with one month ago – rose to 50.9 in April, after having registered below the 50.0 no-change level for the first time in over three years in March (47.0). Still, the latest reading was the second-lowest seen for just under two years, and it was indicative of a much slower rate of growth than that seen on average in 2017.

Of the three broad areas of activity monitored by the survey, housebuilding showed the steepest rise in April. However, in line with the broader trend, the pace of growth was subdued by recent standards. Commercial activity showed an even smaller rebound, rising only marginally on the month. Civil engineering meanwhile remained in contraction,

IHS Markit Germany Construction PMI



albeit with the rate of decline slowing compared with that seen in March.

The survey suggested that the rate of total activity growth was partly curbed by capacity constraints, with the opening quarter of 2018 having seen a surge in new orders that was the strongest in over 18 years of data collection. April saw order books fall for only the second time since late-2016, with some surveyed businesses reporting that they lacked the resources to take on more new work.

Constructors' efforts to boost capacity were reflected in a further marked increase in employment in April. Furthermore, the rate of job creation was the strongest for three months and quicker than that seen on average over the current 34-month sequence of expansion. The quantity of building materials and components purchased by firms also increased at more robust pace in April, the rate of growth picking back up from March's two-and-a-half year low.

The rate of purchase price inflation in the

construction sector slowed sharply in April, down to its lowest since December 2016. Suppliers' delivery times meanwhile increased, though reports of delays remained far less prevalent than during 2017.

Finally, April's survey showed strong confidence among constructors in regard to the year-ahead outlook for activity. The degree of optimism improved marginally from that seen in March and reached a new record-high.

Comment:

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

"April's construction PMI pointed to only a modest rebound in the sector after the snow-related disruption in March. However, rather than being a shortage of demand, details from the survey suggested the relatively subdued rate of growth was in fact payback from the impressive sales volumes seen throughout 2017 and at the start of this year, with the industry now appearing to be operating at close to full capacity."

"Average order book growth in the opening quarter was at a record-high, and although sales dipped in April, those firms that reported a decrease were still reporting offers to tender. Taking the first four months of the year together, the underlying trend in order inflows has been broadly in line with that seen during 2017."

"With the pace of hiring picking back up in April and constructors also scaling up their input buying, the sector's prospects still look bright. Business confidence has never been higher in the past two decades, though capacity constraints point to the sector remaining in a lower gear."

-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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