

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

German construction sector continues to grow despite capacity constraints

Key findings:

- New orders increase more slowly amid reports of full utilisation of resources
- Strong rate of job creation maintained as firms look to boost capacity
- Intense supply chain constraints contribute to sharp rise in input costs

Data collected October 12-30

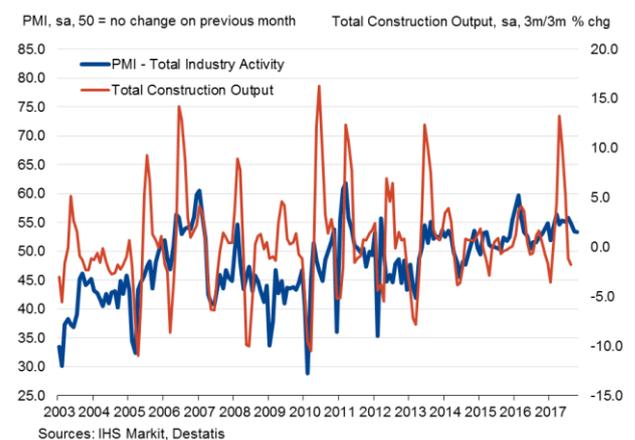
The German construction sector maintained a solid rate of growth at the start of the fourth quarter, despite intense capacity pressures, according to the latest PMI[®] survey data from IHS Markit. Total industry activity rose at a pace little-changed since September, as a pick-up in homebuilding offset slower growth in commercial and civil engineering activity.

Meanwhile, rising demand for building materials acted to increase the strain on supply chains. The incidence of delivery delays was one of the greatest seen for over a decade, while purchase price inflation was pushed to a six-and-a-half year high.

The headline seasonally adjusted Purchasing Managers' Index[®] (PMI) – which measures changes in the level of total industry activity compared with one month ago – registered 53.3 in October, down slightly from 53.4 in September. Although still signalling a solid rate of growth overall, this was the lowest reading for nine months.

All three broad areas of construction – housing, commercial and civil engineering – recorded increases in activity in October. Homebuilding was the best performing area, seeing the strongest growth for three months. However, commercial activity expanded at the weakest rate since February, while civil engineering activity lost further momentum and rose only marginally.

IHS Markit Germany Construction PMI



Construction companies recorded an increase in new orders for the twelfth month running in October. The rate of growth was at a four-month low and only modest, however, as anecdotal evidence found that capacity issues had prevented some firms from accepting new business.

Ongoing efforts by building companies to boost workforce numbers led to a further sharp increase in sector employment in October. As was the case in September, the rate of job creation was among the fastest seen since data collection began in late-1999. Constructors also increased their use of sub-contractors during the month.

October's survey meanwhile showed another substantial rise in constructors' purchases of building materials and components, with the rate of growth remaining broadly in line with the year-to-date average. This in turn placed further strain on suppliers, whose lead times increased (on average) to one of the greatest extents since 2006.

Higher demand for materials was also reflected in a further pick-up in purchase price inflation to the

highest since March 2011. Rates charged by sub-contractors also rose sharply.

Elsewhere, latest data showed ongoing optimism among constructors towards future growth prospects. Expectations picked up from September, when they were at a ten-month low, though remained below the levels seen during the first half of the year.

Comment:

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

“The latest Germany Construction PMI showed a rise in building activity across the eurozone’s largest economy at the start of the fourth quarter, adding to the news of ongoing strong growth in the manufacturing and services sectors. A pick-up in homebuilding was the only real positive, however, as slower increases in both commercial and civil engineering activity meant that total industry performance moderated slightly.

“Anecdotal evidence revealed that firms had to turn down new orders due to already full utilisation of resources, representing a potential limiting factor to growth going forward. Extensive efforts to meet demand continued as constructors reported further steep rises in both workforce numbers and the purchasing of building materials.

“There was little sign of supply chain pressures abating, with October seeing the continuation of the worst period of input delivery delays since 2006. And constructors also faced the strongest purchase price inflation for six-and-a-half years as demand for materials outstripped supply.”

-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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