

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

New work in construction sector grows at record pace in August

Key findings:

- Fastest rise in new business since survey began in September 1999
- Construction activity increases at strong, but slower, rate
- Input price inflation at 65-month high

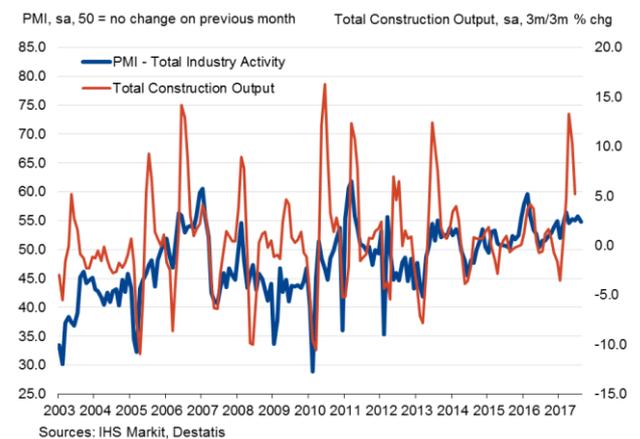
Data collected August 11-30

Construction activity in Germany was supported by a record rise in new business in August, according to the latest PMI® survey data from IHS Markit. New work increased at the fastest rate since the series began in September 1999, leading to a further strong rise in total activity. Growth was broad-based across residential, commercial and civil engineering, although the overall rate of expansion was the weakest since April.

Construction employment increased at the sharpest rate for a year-and-a-half, and usage of subcontractors rose markedly. Inflation of subcontractor rates remained close to June's record high, while prices for construction inputs increased at the sharpest rate in nearly five-and-a-half years.

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 – remained well above 50.0 in August, indicating strong growth in German construction activity. The PMI posted 54.9, down from 55.8 in July, indicating the softest rate of growth since April but one that remained strong in the context of historic survey data. Activity has increased continuously for a record 31 months.

IHS Markit Germany Construction PMI



The three monitored areas of the construction sector all registered higher activity in August. The commercial sector continued to see the sharpest rate of growth, although all three segments saw weaker increases than in July.

The volume of new orders received by German construction firms rose at the fastest rate in the survey history in August. This extended the current sequence of growth to ten months.

Employment at construction firms increased further to support rising workloads. Jobs increased for the twenty-sixth consecutive month, and the rate of expansion accelerated to the strongest since February 2016.

Usage of sub-contractors also rose markedly in August, and at the second-fastest rate in over six years. Supply of subcontractors remained under pressure and as a result their charges increased at the second-fastest rate on record.

Purchasing activity increased at the fastest rate since February 2016. This generated further pressure on supply chains, with average input

delivery times lengthening to the greatest extent since December 2006. Input prices paid by construction firms continued to rise sharply, and the rate of inflation strengthened to a 65-month high.

August survey data signalled that optimism regarding the 12-month outlook for activity remained strong. Firms reported healthy order books. Sentiment moderated to the lowest in 2017 so far, however.

Comment:

Commenting on the PMI data, **Trevor Balchin**, Director, Economics at IHS Markit said:

“The German construction boom showed little sign of easing in August, as new orders increased at the fastest rate on record. Overall activity continued to

grow strongly, despite a slight weakening of momentum since July.

“Survey indicators continued to signal capacity pressures, with suppliers’ delivery times lengthening by the most since December 2006 and the availability of sub-contractors declining sharply. Rates charged by sub-contractors increased at the second-fastest pace on record and construction input price inflation accelerated to the strongest in nearly five-and-a-half years.”

-Ends-

For further information, please contact:

IHS Markit

Trevor Balchin, Director, Economics
Telephone +44-1491-461-065
Email: trevor.balchin@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44207 260 2234
Email joanna.vickers@ihsmarkit.com

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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Purchasing Managers' Index[®] (PMI[®]) surveys are now available for over 30 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 www.markit.com/product/pmi.

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