

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

Activity growth slows but optimism hits record high

Key findings:

- Headline PMI slips to five-month low...
- ...while outlook improves to brightest since the survey began in 1999
- Input costs rise at fastest rate in over four-and-a-half years

Data collected January 12-30

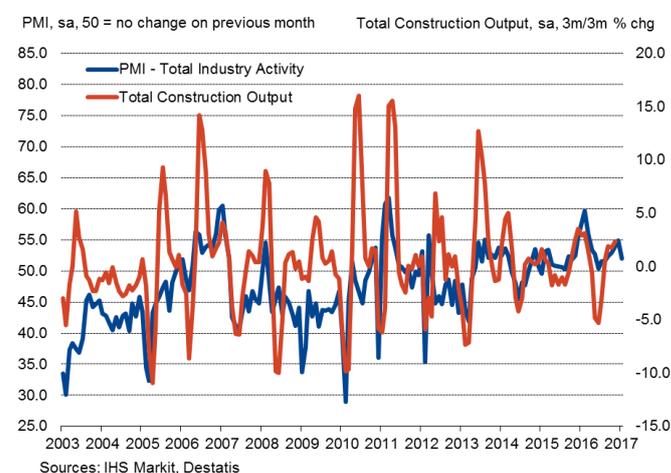
German construction firms saw activity growth ease in January, but were nevertheless more optimistic about the coming year than at any time during the survey's history. New orders, employment and purchasing activity all increased, albeit more slowly than in December. Meanwhile, cost pressures continued to mount, with the rate of input price inflation hitting a 56-month high.

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 – pointed to a slowdown in output growth during January. The latest figure of 52.0 was the lowest since last August, down from December's nine-month high of 54.9.

Despite the overall slowdown, activity growth remained broad-based by category. The steepest rise was again seen in housebuilding, although the rate of expansion slowed to the least marked in five months. Civil engineering was the next-fastest growing, and was the only sub-sector to see a quicker increase than in December. Commercial activity rose only marginally.

New business placed at German constructors rose for the third month running at the start of 2017. Although easing, the pace of growth was stronger than the average since the beginning of last year.

Markit Germany Construction PMI



The ongoing expansion in new work ensured that job creation was sustained in January. The rate of hiring slowed from December's four-month high, but remained solid overall.

Purchasing activity showed a similar trend, with the rate of expansion moderating since the prior month but remaining robust overall.

Some panellists indicated that greater demand for inputs had added to pressures on suppliers. Average lead times lengthened substantially in January, stretching the current sequence of worsening vendor performance to 28 months.

On the price front, purchasing costs in Germany's construction sector continued to rise sharply. The rate of inflation accelerated to the quickest in over four-and-a-half years, amid reports of a general rise in raw material prices.

Sub-contractor rates also increased markedly, albeit at a weaker pace than in the previous two months. Meanwhile, the usage and availability of sub-contractors fell simultaneously for the first time

since August 2015. The rate of decline was much faster in the latter.

In spite of slower activity growth and greater cost pressures, optimism picked up in January. In fact, German constructors reported the brightest outlook since the series began in 1999. A number of firms commented on promising order pipelines, while some also hoped to benefit from specialisation.

Comment:

Commenting on the PMI data, **Philip Leake**, Economist at IHS Markit said:

“Growth of Germany’s construction sector cooled in January, with activity rising at the weakest pace in five months. While the slowdown is disappointing given the sector’s buoyant performance in December, it is little cause for concern. Growth remained broad-based across residential, commercial and civil engineering activity, driven by a third successive rise in new work.

“Both employment and purchasing activity increased for the nineteenth straight month, suggesting that constructors anticipate further growth at least in the near-term. This view was strongly reinforced by the year-ahead outlook for activity, which improved to its best since the survey began in 1999.

“Firms’ sentiment strengthened in spite of mounting cost pressures and a greater squeeze on margins. Purchase prices rose at the fastest rate in over four-and-a-half years.”

-Ends-

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Note to Editors:

The Germany Construction PMI® (Purchasing Managers' Index®) is produced by 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 those of the ISM in the United States and the Eurozone PMI produced by Markit, and are produced using identical methodologies in each country.

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