

## News Release

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

#### Moderate rise in total construction activity in July

##### Key points:

- Headline PMI falls from 15-month high, and signals only modest increase in activity
- Growth in commercial activity underpins overall expansion
- Marked deterioration in supplier performance amid rise in demand for materials

##### Summary:

Construction work in Germany continued to rise at the start of the third quarter, although the pace of expansion eased since June and was only modest. The rate of job creation also slowed, with a downturn in new orders contributing the sector's loss of momentum. Constructors meanwhile raised their level of purchasing activity, which in turn contributed to a lengthening of supplier lead times while also placing upward pressure on purchase prices during the month.

The Markit Germany Construction *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 above the 50.0 threshold in July, signalling a third straight monthly expansion of total German construction activity. However, at 51.5, down from 54.5 in June, the index indicated a notable slowdown in the pace of growth.

Unlike in June when growth was broad based by sector, the latest rise in activity was centred on commercial building projects. Work in this area of the industry again rose solidly, but this was partly offset by modest declines in both housing activity and civil engineering work.

Dampening the overall pace of output growth was a reduction in intakes of new orders at construction

firms in July. The decrease was the sharpest since April, and linked by survey respondents to weaker demand and caution among clients regarding new projects.

The trend in employment at German constructors echoed that for total activity, with staffing levels continuing to rise but at slower rate than in the previous survey period. Nevertheless, net job creation has now been recorded in the sector for four months in a row.

Constructors raised their level of purchasing activity in line with increased workloads in July. Furthermore, the pace of expansion in input buying was the fastest in 16 months. With suppliers under greater pressure to deliver materials, their lead times lengthened accordingly. The degree to which performance deteriorated was the most marked since October 2011.

As well as impacting on supplier delivery times, July's solid increase in purchasing activity among construction firms also helped raise average input prices. The rate of inflation was the fastest in five months, having quickened for the first time since February.

July data meanwhile pointed to a drop in confidence among constructors regarding their expectations for future performance. Although still well above the historical series trend, sentiment dipped back into negative territory for the first time in six months, indicating that firms are generally downbeat about the prospect of activity rising in the coming year.

*Continued...*

### Comment:

Commenting on the Markit Germany Construction PMI<sup>®</sup> survey data, **Phil Smith, economist at Markit** said:

*“A third straight monthly rise in total construction activity in July was yet more positive news for the German economy, which also saw expansions in both manufacturing output and services activity over the month. It was less encouraging, however, to see that the rate of expansion in construction output eased since June to only a modest pace, with growth confined to commercial projects. A sharper decrease in new orders added further doubts to the sustainability of the current upturn. That said, businesses weren’t discouraged from raising both employment and purchasing activity, the latter of which increased to the greatest extent since March 2012.”*

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### Notes to Editors:

The Germany Construction PMI<sup>®</sup> (*Purchasing Managers' Index*<sup>®</sup>) is produced by Markit Economics 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 Economics, and are produced using identical methodologies in each country.

#### About Markit

Markit is a leading, global financial information services company with over 3,000 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information, see [www.markit.com](http://www.markit.com).

#### About PMIs

Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>) surveys are now available for 32 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/economics](http://www.markit.com/economics).

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