

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

Faster growth in construction as optimism hits survey-record high

Key findings:

- Strongest rise in construction activity since February 2016
- Business Expectations Index hits new series record
- Input price inflation at five-year high

Data collected March 13-30

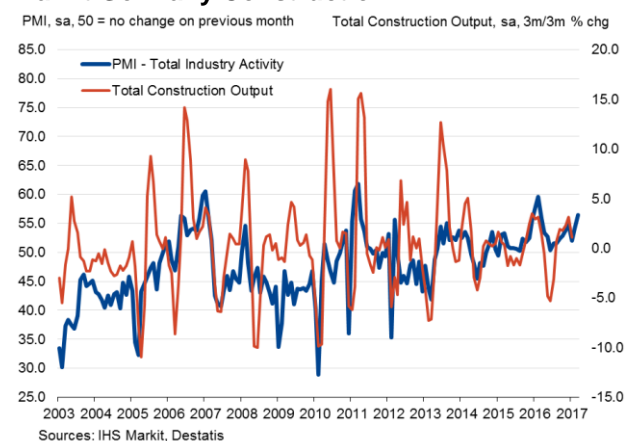
The German construction sector registered an improved performance in March, with the sharpest rise in activity in over a year. Moreover, new orders increased at the second-fastest rate on record and the 12-month outlook for the sector was the strongest in the survey history. There were signs of inflationary pressures, however, as input price inflation hit a five-year high and sub-contractor prices increased at one of the strongest rates since the survey began in 1999.

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 – rose further to 56.4 in March, from 54.1 in February. The latest figure signalled the fastest rise in German construction activity since February 2016, and extended the current survey-record sequence of expansion to 26 months. Moreover, the Index was at its third-highest level since early-2011.

The upturn in construction activity was broad-based across the three monitored areas of the sector in March. Residential, commercial and civil engineering all registered stronger increases in activity, with housebuilding rising at the fastest rate.

The volume of new work increased for the fifth month running in March, the second-longest sequence of growth in the survey history. Moreover, the rate of expansion was the second-highest

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registered to date, just short of the record set in February 2016.

Construction companies accommodated new work by expanding their workforces and usage of sub-contractors in March. Employment in the sector increased at the strongest rate since February 2016, while work undertaken by sub-contractors – as a percentage of all activity – increased at the fastest pace for a year.

March survey data revealed growing inflationary pressures in the construction sector. Average input prices increased at the strongest rate in five years, with the rate of inflation accelerating for the sixth time in seven months. Meanwhile, sub-contractors increased their charges at the strongest rate since May 2008.

Supply chain pressures and shortages of sub-contractors were evident in March. Purchasing activity increased at the fastest rate since February 2016, leading to the second-greatest lengthening in suppliers' delivery times since July 2007. Meanwhile, the availability of sub-contractors declined at the fastest rate for almost ten years.

The 12-month outlook for construction activity strengthened to a survey record in March, surpassing the previous peak set in January.

Comment:

Commenting on the PMI data, **Trevor Balchin**, Senior Economist at IHS Markit said:

“The German construction sector continued its revival in March, following a slowdown at the start of the year that partly reflected very cold weather. The overall rate of expansion was one of the fastest seen since the survey began in 1999, with all three sub-sectors of construction showing stronger growth.”

“Forward-looking indicators are signalling continued momentum. New orders increased at the second-fastest rate on record in March, and business expectations hit a new series high.”

“Strengthening demand brought with it inflationary pressures, however. Average purchase prices rose at the fastest pace in five years, and sub-contractors hiked their charges at a rate not seen since May 2008.”

-Ends-

For further information, please contact:**IHS Markit**

Trevor Balchin, Senior Economist
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 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 Markit, and are produced using identical methodologies in each country.

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