

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

Construction activity growth picks up speed in May

Key findings:

- Total industry activity shows steepest increase in four months
- Residential and commercial work rise, while decline in civil engineering activity softens
- Employment increases amid efforts to expand capacity, albeit at a slower pace

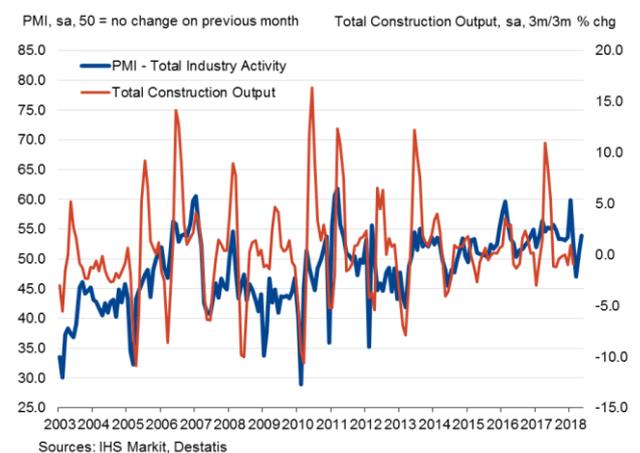
Data collected May 11-30

May saw the rate of construction activity growth accelerate to the fastest since January, as the sector continued to rebound from a weather-related downturn at the end of the first quarter. New orders increased and construction companies continued to raise employment in order to expand capacity. However, the pace of job creation was the lowest in 15 months and firms reported being less optimistic about the outlook.

The headline seasonally adjusted Germany Construction *Purchasing Managers' Index[®]* (PMI[®]) – which measures changes in the level of total industry activity compared with one month ago – rose to a four-month high of 53.9 in May. Up from 50.9 in April, the index signalled a pick-up in the rate of growth from the modest pace seen at the beginning of the second quarter, to one that was solid and the second-quickest seen since August last year.

The upturn in activity was underpinned by improved trends in both the residential and commercial sectors, with each exhibiting the strongest rate of growth since the opening month of the year. Housing activity recorded the steeper increase, as was the case in April. Civil engineering remained in contraction, but the rate of decline eased for the second month in a row and was only marginal overall.

IHS Markit Germany Construction PMI



Latest data meanwhile showed a renewed increase in the level of new orders at constructors in May, following a decline (only the second in one-and-a-half years) the month before. The rate of order book growth was only modest however, with capacity continuing to act as a restraining factor, according to anecdotal evidence.

High workloads led constructors to take on additional staff in May, resulting in a thirty-fifth straight monthly increase in employment in the sector. Although remaining solid, the rate of job creation eased to the lowest seen since February 2017 amid reports from surveyed firms of difficulties finding suitably skilled staff.

The more moderate rate of recruitment was also consistent with a waning of business confidence in May. Constructors remained strongly positive about the outlook, expecting activity to rise over the next 12 months. However, the degree of optimism was the lowest seen since January, having fallen for the first time in six months from a survey-record high in April.

Constructors reported the steepest increase in buying levels for four months in May, with strengthening demand for materials contributing to a further sharp increase in average purchase prices. The rate of inflation picked back up from April's 16-month low, although it remained well below the highs seen in 2017. Supplier delivery times were also found to have worsened in May, with the deterioration in vendor performance being the most marked since February.

Comment:

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

“The construction sector moved up a gear in May, swimming against a tide of slower growth across both manufacturing and services. Total industry activity exhibited the steepest rise in four months as building companies stepped up work on both housing and commercial building projects. The recent drag on growth from a downturn in civil engineering also eased, the sub-sector coming its closest to stabilisation since February.

“Like retail, the construction sector’s performance in May was probably helped by the month’s better-than-usual weather, with building firms able to make further inroads into backlogs of work that partly built up as a result of the late cold snap at the end of the first quarter.

“Building companies remained firmly in expansion mode as they continued to take on additional staff and raised buying levels to the greatest extent since January. However, with the survey continuing to highlight difficulties finding skilled staff as well as another sharp deterioration in sub-contractor availability, constructors have become a little less optimistic about the outlook.”

-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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