

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

Total industry activity rises only fractionally in September

Key findings:

- Housing and commercial activity grow at slower rates, while civil engineering contracts
- Rate of job creation eases to second-weakest since February 2017
- Constructors retain broadly optimistic outlook for activity

Data collected September 12-27

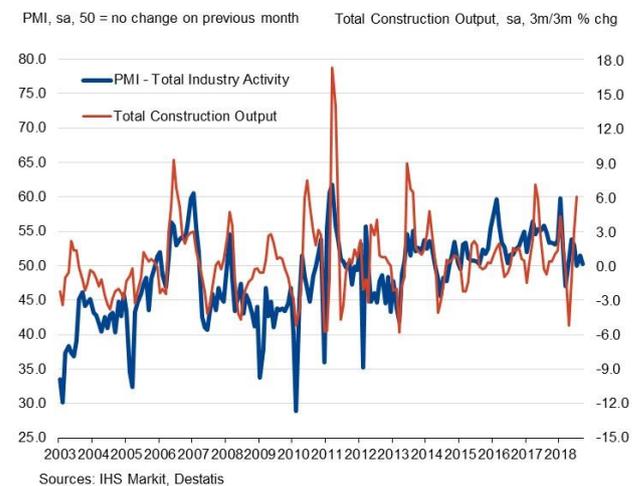
The German construction sector saw a loss of growth momentum in September, with total industry activity barely rising compared with the month before. Building companies continued to take on additional staff amid a slight increase in new orders and positive sentiment towards the outlook, though the pace of job creation was the second-slowest since February 2017.

Sustained supply chain pressures were meanwhile reflected in longer lead times on building materials and products as well as a steep rise in purchase prices.

The headline seasonally adjusted **Germany Construction Purchasing Managers' Index® (PMI®)** came in at 50.2 in September, down from 51.5 in August. The latest reading indicated only a marginal monthly rise in total building activity and confirmed the weakest quarter in terms of average growth for four years.

The breakdown of activity by construction category showed slower increases in both homebuilding and work on commercial building projects. The respective rates of growth were identical and only modest overall. The worst-performing sub-sector, however, was civil engineering, where activity returned to contraction and fell for the sixth time in 2018 so far.

IHS Markit Germany Construction PMI



Growth in construction order books resumed in September after a dip in inflows of new work midway through the third quarter. The marginal rise in new construction projects was partly linked by surveyed firms to growth in the wider economy.

Construction companies generally remained optimistic towards the outlook for total activity over the next 12 months. However, the net balance of companies forecasting growth remained lower than the record highs seen earlier in the year.

Higher activity and positive sentiment towards further expansion in the year ahead supported recruitment across the construction sector in September. Employment increased solidly, but the rate of job creation eased to the second-slowest in the past 19 months. Purchasing activity meanwhile rose only marginally and at the slowest pace for over three years.

Constructors also increased their use of sub-contractors in September. The three previous months had seen usage decline due to a sustained

deterioration in sub-contractor availability, a trend that extended into September (albeit at a slightly moderated rate). Rates charged by sub-contractors meanwhile rose sharply.

Building companies also faced another steep monthly rise in purchase prices, with the rate of inflation pulling back only slightly from August's ten-month high. As well as reflecting tightness in supply chains, with lead times on inputs increasing again in September, the rise in purchase prices was linked to suppliers passing on the cost of new road toll charges.

Comment:

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

“Overall construction activity was up only slightly in September and across the third quarter as a whole, indicating a loss of growth momentum compared with the second quarter when activity levels were still partly in a recovery phase following an usually cold March. There was a sense of déjà vu in terms of sub-sector performance, with latest data indicating sustained, albeit slower growth in both housing and commercial activity, but also a contraction in work on civil engineering projects – the sixth in 2018 so far.

“The more moderate pace of output growth was mirrored on other fronts, with constructors’ buying levels showing the smallest monthly rise in over three years and the rate of job creation in the sector easing to the second-lowest since February 2017.

“Growth may have downshifted, but constructors don’t foresee activity levels going into reverse any time soon. Expansion in the wider economy continues to boost construction order books, and firms expect high demand to support output levels in the year ahead.”

-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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