

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

Construction activity falls for first time in over three years in March

Key findings:

- Unusually bad weather causes disruption to construction activity at end of first quarter
- Sharp drop in civil engineering activity leads a broad-based contraction
- Business confidence remains strongly positive amid sustained growth in new orders

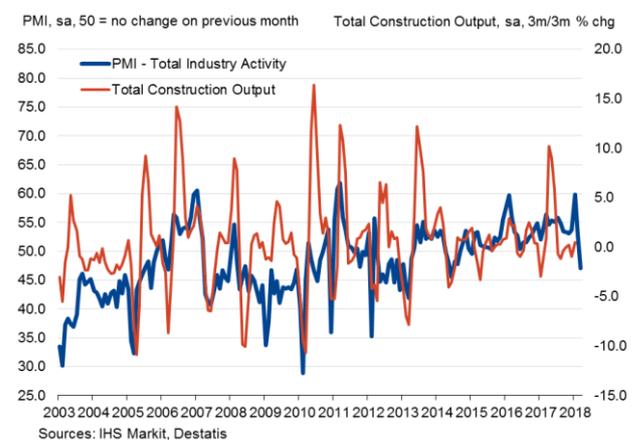
Data collected March 12-28

March saw the level of total construction activity in Germany fall for the first time in over three years as persistent bad weather caused disruption across the sector. Civil engineering was the hardest-hit area, though there were also decreases in housing and commercial activity. New orders and employment nevertheless continued to rise, albeit at reduced rates, and building companies remained in a strongly optimistic mood about the outlook over the next 12 months.

The headline seasonally adjusted Purchasing Managers' Index[®] (PMI[®]) – which measures changes in the level of total industry activity compared with one month ago – registered 47.0 in March, down from 52.7 and its first reading below the 50.0 no-change level since January 2015. The survey evidence showed that colder-than-usual weather during March had dampened activity. The contraction also followed particularly strong growth in January, when the PMI had hit an 82-month high thanks to milder-than-usual conditions at the start of the year.

Activity fell across all broad areas of the construction sector in March. The steepest contraction was in civil engineering, where activity fell for the fourth time in five months and at the fastest rate for almost four years. The downturns in housing and commercial activity were more

IHS Markit Germany Construction PMI



moderate in comparison, though in each case they brought to an end prolonged expansions of growth.

Demand for new construction projects meanwhile remained resilient. This was highlighted by a fourth straight monthly increase in the level of new orders amid reports from surveyed companies of greater opportunities to tender. That said, the latest increase in order books paled in comparison to the survey-record rise seen in the opening month of the year.

Constructors remained highly confident about the outlook for activity over the next 12 months, citing a strong pipeline of new orders as a reason for optimism. The level of confidence signalled was in fact the highest recorded in over 18 years of data collection.

As was the case with new orders, constructors' quantities of purchases grew at a slower rate in March – the weakest seen since August 2015. Employment in the construction sector also rose more slowly, with the rate of job creation easing further from January's recent peak to a 13-month

low. Sub-contractor usage followed a similar trend and was up only slightly since February.

Elsewhere, latest data showed another steep monthly rise in average purchase prices faced by constructors. The rate of inflation picked up for the third straight month and was the highest since last October. Suppliers' delivery times also worsened, though the deterioration in performance was the least marked since February 2017.

Comment:

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

"It was a somewhat topsy-turvy opening quarter largely thanks to unusual weather patterns, which caused some volatility in the construction data. A warmer-than-normal January saw output levels rise sharply on a seasonally adjusted basis as some sites opened early. However, unusually cold weather in March combined with continuing payback from January's jump in activity has led to the construction PMI falling into contraction territory for the first time in over three years.

"The area most affected by the recent cold snap was civil engineering, where the level of activity showed the steepest drop for almost four years. Housing and commercial activity also decreased, though both grew solidly on average during the first quarter.

"Order book growth slowed further from the record high at the start of the year, but constructors nevertheless remained strongly optimistic about the business outlook over the next 12 months and geared up for higher activity by continuing to recruit more staff."

-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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