

News Release

Embargoed until 0930 CEST (0730 UTC) 6 September 2022

S&P Global Germany Construction PMI®

Construction activity falls at fastest rate for a year-and-a-half in August

Key findings

Commercial segment leads broad-based decline in activity

Expectations tick up but remain low as new orders extend fall

Cost and supply-chain pressures continue to ease

The downturn in Germany's construction sector extended into August, with activity declining to the greatest extent for a year-and-a-half, latest PMI® data showed. The survey signalled a sustained drop in new orders as high prices, increased interest rates and economic uncertainty all weighed on demand for construction work, although the rate of decline did at least slow and firms' expectations, whilst still pessimistic, ticked up from July's recent low.

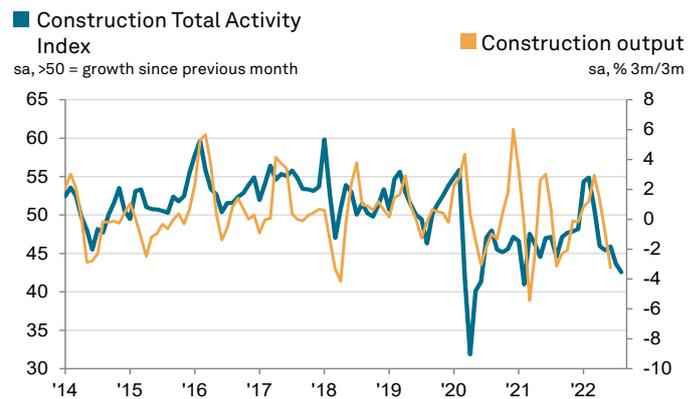
There was some relief on the supply front as the incidence of delays in the delivery of building materials and products eased to the lowest since December 2020. This coincided with a further moderation in the rate of purchase price inflation, which slowed at a 19-month low but was still elevated by historical standards.

The headline S&P Global Germany Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry activity – registered below the 50.0 threshold separating growth from contraction for the fifth month running in August. Furthermore, at 42.6, down from July's 43.7, the index signalled an accelerated rate of decline, and one that was the quickest since February 2021.

The contraction in activity was broad-based by construction category and led by the commercial segment, which recorded its steepest contraction for 18 months. Both housing activity and civil engineering also posted faster rates of decline in August than the month before, with the former registering its worst monthly performance since May 2020.

The volume of new orders received by German constructors was down for the sixth month in a row in August, reflecting a multitude of headwinds to demand for building work. The rate of decline remained marked, although it eased to the weakest since March.

Constructors' remained deeply pessimistic about the outlook for activity over the next 12 months amid an unfavourable environment for investment. Expectations did, however, pick



Sources: S&P Global, Eurostat.
Data were collected 12-30 August 2022.

Comment

Phil Smith, Economics Associate Director at S&P Global Market Intelligence, said:

"Latest PMI data showed output levels across Germany's construction sector falling for a fifth straight month in August, with the headline total activity index dropping even further into sub-50 contraction territory to show the sector's worst performance for a year-and-a-half."

"Commercial activity continued to lead the decline, but the trends in both housing and civil engineering were not much better, with each category seeing a notable downturn."

"Construction activity has fallen on the back of a sustained reduction in demand, with firms reporting that high prices, increased borrowing costs and uncertainty among clients has made it more difficult to secure new work."

"The decline in new orders did ease somewhat, whilst there were further moderations in both cost and supply-chain pressures, all of which perhaps helps explain the less slightly pessimistic outlook among constructors. Nevertheless, constructors are expecting conditions to remain extremely challenging over the coming year and have continued to scale down both workforce numbers and purchasing activity accordingly."

PMI®

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up slightly from July's 28-month low.

With workloads in decline and firms forecasting challenging conditions over the year ahead, August saw a further reduction in employment levels across the construction sector. The decline in staffing numbers was the fifth in as many months and the most marked since April.

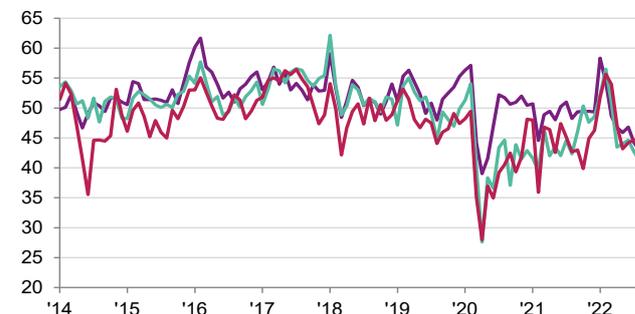
Construction companies also reported a further reduction in purchases of building materials and products at the midway point in the third quarter. Furthermore, the extent to which buying levels decreased was the greatest since February 2021.

The fall in the quantity of purchases not only reflected lower activity and demand, but also a decreasing need to build up safety stocks as supply chain pressures showed further signs of easing. Indeed, latest data showed lead times on purchases lengthening to the least extent for 20 months in August.

Cost pressures meanwhile eased. Although still well above its historical series average stretching back to 1999, the rate of input price inflation faced by German constructors retreated further from its recent record highs to the lowest January 2021. Data also indicated a slower rise in subcontractor rates.

- Housing Activity Index
- Commercial Activity Index
- Civil Engineering Index

sa, >50 = growth since previous month



Source: S&P Global.

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Survey methodology

The S&P Global Germany Construction PMI® is compiled by S&P Global from responses to questionnaires sent to a panel of around 150 construction companies. The panel is stratified by company workforce size, based on contributions to GDP. Survey data were first collected September 1999.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Total Activity Index. This is a diffusion index that tracks changes in the total volume of construction activity compared with one month previously. The Total Activity Index is comparable to the Manufacturing Output Index and Services Business Activity Index. It may be referred to as the 'Construction PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 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. ihsmarkit.com/products/pmi.html