

News Release

Embargoed until 0930 CET (0830 UTC) 6 March 2023

S&P Global Germany Construction PMI®

February PMI points to shallower decline in total industry activity

Key findings

Total Activity Index jumps to 11-month high of 48.6

New orders continued to fall, albeit at a slower rate

Input cost inflation slides to 27-month low

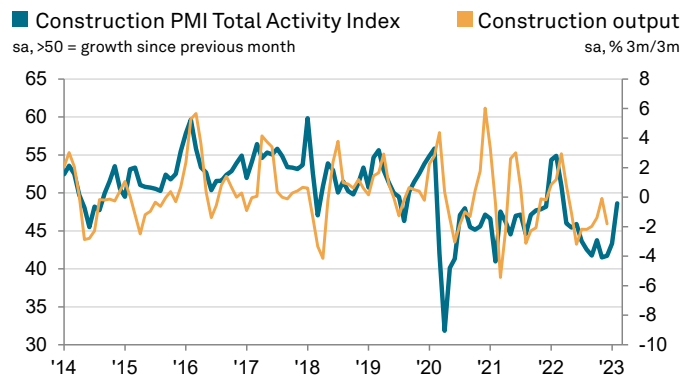
Latest PMI® data from S&P Global showed the rate of decline in German construction activity ease in February. A lack of incoming new work remained a feature of the survey, although the rate of contraction did at least ease and businesses were less pessimistic about the year-ahead outlook. Cost pressures across the sector meanwhile continued to soften from the ultra-high levels seen over the past two years, amid reports of easing supply-chain constraints.

The headline S&P Global Germany Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry activity – remained in sub-50 contraction territory in February but climbed steeply from January's 43.3 to 48.6. This signalled a notably slower rate of decline in activity, with the headline index recording its highest reading in the current sequence of contraction stretching back to April last year.

A rise in civil engineering activity, the first for almost a year, was recorded in February, alongside a slower decline in housing activity. The latter was nevertheless the worst-performing of the three broad construction categories, recording a comparatively faster decline than that of commercial activity, which went against the wider trend and saw its rate of contraction accelerate slightly compared to January.

Falling intakes of new work continued to act as a drag on total industry activity during February. New orders once again decreased markedly, as surveyed businesses commented on the influence of soaring prices for construction work, tightening financial conditions and general hesitancy among customers due to the uncertain economic outlook. The decline in new orders did at least slow for a third straight month, however, to signal the softest rate of contraction since March last year.

Building companies maintained a negative outlook for the year ahead, with far more firms expecting a decrease in



Sources: S&P Global, Eurostat.
Data were collected 10-27 February 2023.

Comment

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

"February's PMI showed the German construction sector take a step towards stabilisation, with the decline in total industry activity easing to only a modest pace that was the weakest in the current 11-month sequence of contraction. Underlying data showed a more positive month for civil engineering, albeit with the rise in activity coming off the back of a sharp downturn in prior months."

"Demand for building work remains strained by elevated prices and tightening financing conditions, although it's encouraging to see that the rate of decline in new orders has at least slowed and that firms are now far less pessimistic about the outlook than they were just a few months ago."

"Easing cost pressures were a key feature of the latest survey data, with building firms having faced ultra-high rates of input price inflation over the past two years. Latest data showed construction sector costs rising at the slowest rate since November 2020, and one that was even slightly lower than the pre-pandemic series average, amid indications from the survey of reduced supply-demand imbalances."

PMI®

by S&P Global

© 2023 S&P Global

activity (36%) than those anticipating a rise (10%). That said, firms were the least pessimistic for almost a year, as sentiment continued to recover from last October's near-record low.

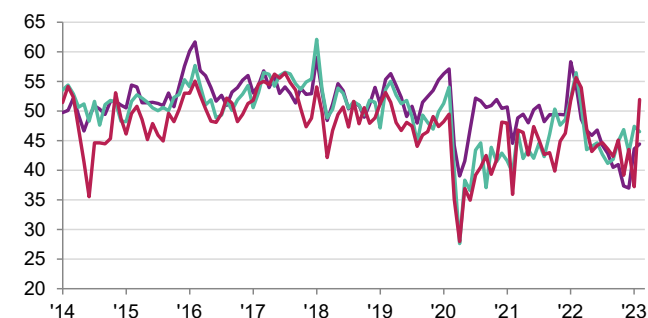
Lower total industry activity led German constructors to further reduce their buying levels midway through the opening quarter. The rate of decline even picked up slightly and was the quickest for three months. The fall in demand for building products and materials in turn helped to ease pressure on supply chains, with firms noting the lowest incidence of delivery delays for nearly two-and-a-half years in February.

The easing of supply-demand imbalances was further underscored by a cooling of the rate of purchase price inflation faced by German manufacturers. Input costs showed the slowest increase since November 2020, with the rate of inflation falling below its long-run average since 1999. Rates charged by subcontractors continued to rise steeply by historical standards, though even here the pace of increase was the slowest for two years.

Lastly, February's survey showed a reduction in construction sector personnel. Staffing numbers at building companies were down for an eleventh successive month, while subcontractor usage also fell. That said, the rates of decline eased to the weakest for three and 11 months respectively.

■ Housing Activity Index
 ■ Commercial Activity Index
 ■ Civil Engineering Index

sa, >50 = growth since previous month



Source: S&P Global.

Contact

Phil Smith
 Economics Associate Director
 S&P Global Market Intelligence
 T: +44-1491-461-009
phil.smith@spglobal.com

Sabrina Mayeen
 Corporate Communications
 S&P Global Market Intelligence
 T: +44-7967-447-030
sabrina.mayeen@spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click [here](#).

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.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.