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IHS Markit Germany Construction PMI®

Construction activity remains subdued in November as sector faces multiple headwinds

Key findings

New orders fall at quickest rate in three months

Cost pressures remain elevated

Rising employment remains a bright spot

Data were collected 12-29 November 2021.

Germany's construction sector continued to face multiple headwinds to growth in November, with activity remaining subdued and new orders in decline, latest PMI® data from IHS Markit indicated. Nevertheless, construction employment continued to show a positive trend, rising for the third month in a row.

The headline IHS Markit Germany Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry output – registered 47.9 in November, little-changed from October's 47.7 and still below the 50.0 no-change threshold. That said, the latest reading was the highest since August 2020.

Anecdotal evidence indicated a degree disruption to activity from the pandemic, including a reduction in staff availability due to either illness, COVID testing or vaccinations. Activity was down across the board, according to sub-sector data. Civil engineering remained the worst-performing area despite seeing its rate of contraction ease to the weakest since July. Commercial activity showed a renewed decline following a brief uptick in October, while housing activity posted a further marginal decrease.

New orders in the construction sector fell at the quickest rate for three months in November. Some panellists indicated that higher prices had made it more difficult to secure new work, while others commented on limitations posed by capacity constraints.

Price pressures in the construction sector continued to be driven in part by higher costs for building materials and products. The rate of input price inflation eased further from July's all-time peak but still remained among the quickest on record. Subcontractor rates likewise showed a further sharp (albeit slightly slower) rise in

continued...

Germany Construction PMI Total Activity Index
sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Phil Smith, Economics Associate Director at IHS Markit, said:

"Latest PMI data pointed to an underwhelming performance from the German construction sector in November, with activity remaining subdued and the decline in new orders even gathering pace amid multiple headwinds.

"Constructors continue to contend with capacity constraints, including supply bottlenecks which are pushing up costs and prices, thereby making it more difficult for businesses to secure new work. The fourth wave of COVID was reported to be another factor weighing on activity, with some firms indicating that illness, testing and vaccinations had compounded staff shortages.

"Efforts to try to address capacity issues saw constructors raise employment for a third successive month. Nevertheless, the survey once again highlighted that there remained a distinct lack of available subcontractors across the sector, which not only constrained activity but also added to cost pressures as rates continued to soar.

"Business confidence in the construction sector has taken a knock, dropping to the lowest for five months, with lingering worries about material shortages and rising costs being exacerbated by concerns over the direction of the pandemic."

November to add to overall cost pressures. This was partly driven by a continued decline in their availability.

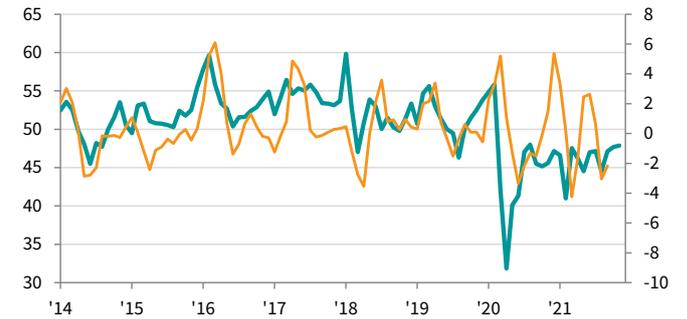
Shortages of available materials remained another issue for construction companies, not only putting upward pressure on prices but also leading to delays in the receipt of purchases. The proportion of companies reporting longer input lead times remained elevated by historical standards in November, though it eased further from the all-time highs observed during the second quarter.

In line with the trends in activity and new orders, latest data showed a decline in constructors' buying levels in November. The fall, which followed broadly no change in purchasing activity the month before, was only marginal, however.

Construction sector employment, on the other hand, continued to rise. The rate of job creation was quicker than those seen in September and October, though it remained only modest overall and weaker than the trend immediately prior to the pandemic.

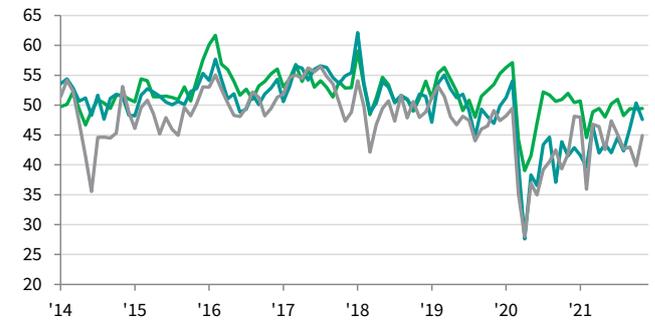
Lastly, November saw a deterioration in constructors' expectations for activity over the next 12 months. Confidence slipped to its lowest level since June, weighed on by concerns about the effects of higher prices, lingering supply chain issues, and the direction of the pandemic.

Germany Construction PMI Total Activity Index Construction output
sa, >50 = growth since previous month sa,% 3m/3m



Sources: IHS Markit, Eurostat.

Activity Index by sector
Residential / Commercial / Civil Engineering
sa, >50 = growth since previous month



Source: IHS Markit.

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Survey methodology

The IHS Markit Germany Construction PMI® is compiled by IHS Markit 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 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.

Survey dates and history

November data were collected 12-29 November 2021.

Survey data were first collected September 1999.

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