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IHS Markit Germany Construction PMI®

Prices for building materials rise at record rate amid unprecedented supply disruption

Key findings

More than three-quarters of German constructors faced delivery delays in April

Input price inflation highest since survey's inception in 1999

Downturn in activity accelerates since March

Data were collected 12-29 April 2021.

Supply bottlenecks worsened across Germany's construction sector in April, with latest PMI® data from IHS Markit showing unprecedented delays in the receipt of building materials and products, alongside a sharp acceleration in the rate of input cost inflation to a survey-record high. This added to a continued downturn in total industry activity, as constructors recorded an ongoing reduction in demand for new building work.

The rate of decline in activity was solid and slightly faster than that recorded in March. This was signalled by the headline IHS Markit Germany Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry output – registering 46.2, down from 47.5 in the previous month.

Of the broad construction categories monitored by the survey, commercial activity remained the worst performing, recording a sharp and accelerated rate of decline at the start of the second quarter. The next-steepest fall was seen in civil engineering activity, while work on residential projects defied the broader trend and moved closer to stabilisation.

German constructors recorded a further decrease in inflows of new work in April, thereby extending the current sequence of decline to 14 months. The downturn deepened slightly since the previous survey period, with construction companies commenting on fewer tender opportunities and delays in contract awards.

Expectations for activity over the coming year showed a notable decline in April, dropping from a 13-month high (and just inside optimism territory) in March to the weakest in 2021 so far. The hit to confidence was largely attributable to growing concerns

continued...

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



Comment

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

"April's construction PMI survey produced another set of disappointing figures, showing the building sector still stuck in a slump amid a continued soft patch in order books."

"However, it's on the supply side where we see the greatest causes for concern, with shortages of building materials leading to unprecedented reports of longer wait-times for inputs and pushing up purchase prices at rate previously unseen in over two decades of data collection."

"Supply bottlenecks are starting to unnerve constructors, leading to a decline in business sentiment about the outlook over fears of forced downtime on-site in the coming months and a threat to demand from sharply rising prices."

about supply bottlenecks, in particular the potential for forced downtime on-site and a threat to demand from rising prices.

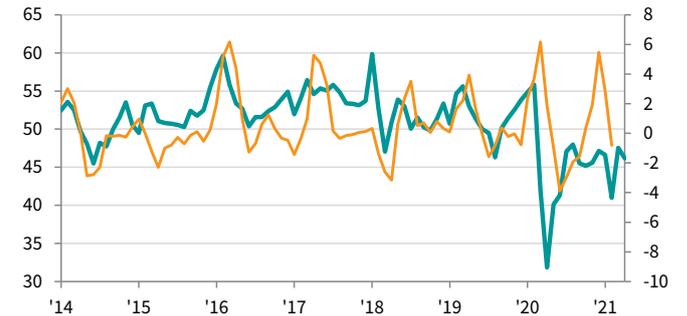
More than three-quarters of German constructors reported longer average lead times on building materials and products in April, and this signalled the most widespread disruption since the start of data collection in September 1999. Severe shortages of materials were reported, most commonly in relation to insulation, steel and timber.

The dearth of building inputs in turn led to a steep and accelerated rise in purchase prices at the start of the second quarter. Moreover, the overall rate of cost inflation hit a survey-record high, surpassing the previous peak recorded back in July 2008 by a wide margin.

Concerns about longer lead times and future price rises saw German constructors placing orders for additional materials during April. It marked the first increase in buying levels for three months, and one that was the strongest since February 2020.

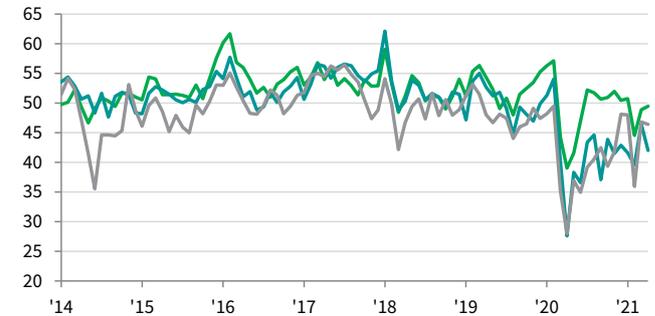
Employment meanwhile fell, as has been the case in each of the past three months. The rate of job shedding was the quickest since last November, albeit still only modest and slower than the average in 2020. At the same time, latest data also showed a further drop in subcontractor usage.

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



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

April data were collected 12-29 April 2021.

Survey data were first collected September 1999.

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