

# News Release

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## S&P Global Germany Construction PMI®

### Construction downturn continues as sector contends with rising prices, material shortages and uncertainty

#### Key findings

Total Activity Index slips to nine-month low of 45.4 in May

New orders decline further amid continued surge in cost of work

Expectations towards future activity turn more pessimistic

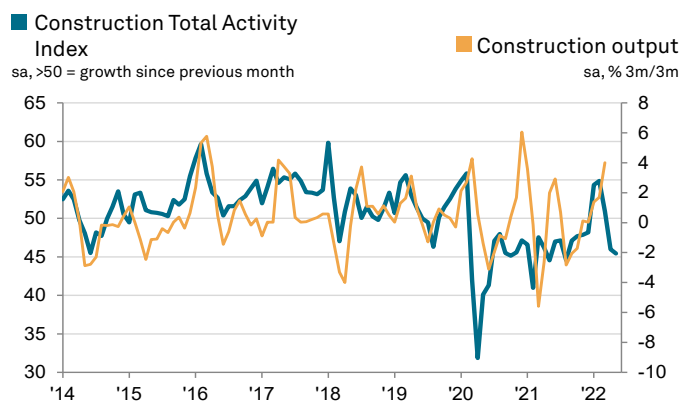
Latest PMI® data showed a sustained downturn in Germany's construction sector during May, with sharply rising prices, material shortages and heightened uncertainty among clients all combining to dampen both demand and activity. Building companies were pessimistic towards the outlook over the next 12 months and, as such, continued to cut back on their workforce numbers.

The headline S&P Global Germany Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry activity – registered in sub-50 contraction territory for the second month in row in May. Furthermore, having fallen from April's 46.0 to a nine-month low of 45.4, the latest reading signalled a deepening decline in total activity.

The reduction was broad-based by construction category. Work on residential building projects decreased for the third month in succession and at the quickest rate since February 2021. Against the broader trend, commercial activity fell at a slightly slower rate, but one that was still marked overall. Civil engineering activity recorded the sharpest rate of decline of the three-monitored sectors, having registered its steepest contraction since last October.

Where a reduction in activity was recorded, surveyed businesses commented a combination of supply-chain disruptions and a decline intakes of new work, which were down for the third month in a row in May. The rising cost of building work and higher borrowing rates were both headwinds to demand, according to anecdotal evidence, alongside growing caution among clients due to an uncertainty economic outlook.

Price pressures across the construction sector remained strong in May, with building firms facing a continued surge in the cost of materials and products. Latest data in fact showed an acceleration in the rate of input price inflation for the third time in the past four months, taking it closer to last



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

#### Comment

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

*"Business conditions for construction companies in Germany remained challenging in May, with firms not only having to contend with long-running supply issues, but also a marked decline in new orders as economic uncertainty, sharply rising building costs and higher borrowing rates all serve to dampen demand."*

*"Building costs continued to skyrocket in May, with the rate of inflation in prices paid for materials and products creeping closer to last year's record highs, and subcontractors also able to charge markedly higher fees. That's despite construction companies reining in their labour requirements in the past couple of months, with a lack of availability of specialists in the market meaning they were still able to hike charges at a near record rate."*

*"Constructors are expecting these challenging conditions to persist in the coming year, leading to the gloomiest forecasts for future activity since the first wave of the pandemic more than two years ago."*

PMI®

by S&P Global

year's survey-record highs.

Input prices continued to be driven up in part by imbalances between supply and demand, which at the same time also led to longer lead times on purchases in May. The incidence of delivery delays remained historically high, exceeding almost anything seen prior to the pandemic, although it did ease slightly compared to the prior two months.

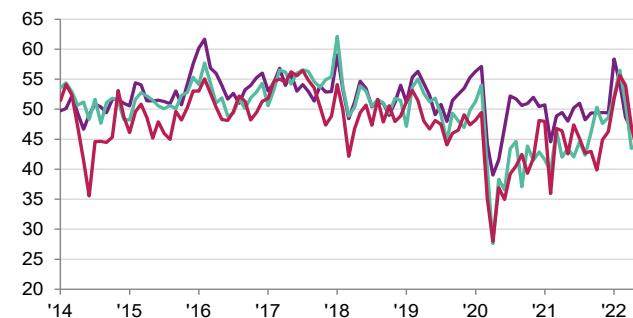
Notwithstanding the efforts of some firms to build up safety stocks and protect themselves against potential future rises in purchase prices, May saw a further decline in overall buying levels among German constructors. The rate of contraction quickened since April, although it was still only modest overall and notably slower than that of total activity.

Latest data also showed back-to-back decreases in both employment and the use of subcontractors, as constructors sought to adjust to lower levels of activity and demand. The respective rates of decline eased but were still solid in the context of historical trends.

With supply bottlenecks, strong price pressures, higher borrowing rates, and risk aversion among clients all expected to persist in the near term at least, constructors were generally downbeat towards growth prospects in the coming year. Expectations in fact turned even more pessimistic, and were the lowest overall since the first wave of the pandemic over two years ago.

- 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](mailto:economics@ihsmarkit.com).

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