News Release

Embargoed until 0930 CET (0830 UTC) 6 December 2022

S&P Global Germany Construction PMI®

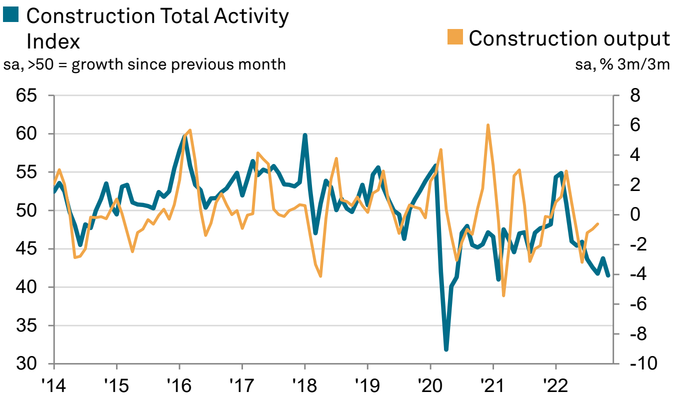
Sharp decline in housing activity weighs on German construction sector in November

Key findings

Broad-based fall in construction activity, led by residential sector

Cost and supply pressures ease

Expectations towards year-ahead outlook remain deeply pessimistic



Sources: S&P Global, Eurostat.
Data were collected 11-29 November 2022.

Construction work across Germany showed a marked rate of decline in November, led by shrinking housing activity, latest PMI® data from S&P Global showed. Firms were deeply pessimistic about the outlook for the year ahead, amid a backdrop of high inflation, rising borrowing costs and reluctance among customers. Expectations picked up slightly, however, in line with signs of a partial easing of supply and price pressures.

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 for an eighth straight month in November, registering 41.5. This was down from October's 43.8 and the lowest since February 2021.

All three broad construction categories monitored by the survey recorded lower activity in November. The steepest decline was in the residential segment, where activity fell sharply and to the greatest extent since February 2012. The downturn in civil engineering activity likewise deepened midway through the fourth quarter, with the rate of contraction reaching the fastest since February 2021. Only commercial activity went against the broader trend, recording the slowest decline for eight months.

Falling demand for construction work remained a prominent feature of the survey data in November. According to reports from surveyed businesses, the sector was reeling from the effects of high prices, rising interest rates and hesitancy among customers. Underscoring the weakness in demand was a sharp and accelerated drop in new orders received by building companies, the rate of contraction of which quickened since October and was the second-fastest seen in over two-and-a-half years.

Lower activity and diminishing inflows of new work led German construction companies to scale back their workforce numbers during November, the eighth month

Comment

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

“The current economic environment of high prices, rising interest rates and weak sentiment is weighing heavily on the construction sector's performance. The downturn in new orders, which started in March following Russia's invasion of Ukraine, extended into November and showed little signs of easing.

"Housing activity is being hit hardest by the various headwinds to demand, registering a rate of contraction in November that was the quickest since April 2009 if brief weather-related downturns are excluded. Work on civil engineering projects also fell sharply during the month, while commercial activity went against the grain and showed a steadier trend after its summer slump.

"Constructors maintained a very gloomy outlook for the next 12 months and, as such, pressed ahead with further cutbacks to workforce numbers during November, albeit at a slower rate than in each of the previous three months.

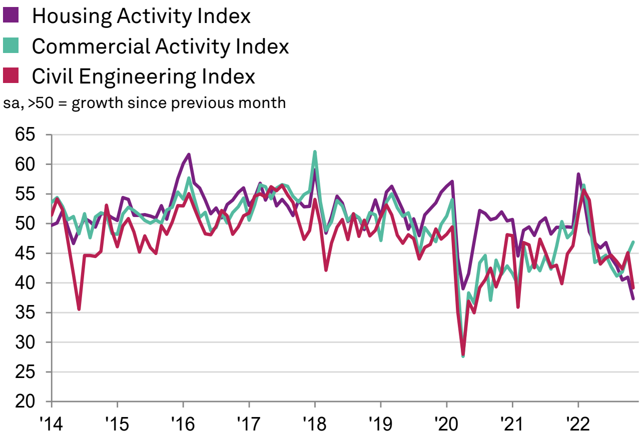
"Expectations came off October's near-record low, however, helped in part by a slowdown in input price inflation and signs of easing supply bottlenecks."

in a row in which this has been the case. Back-to-back moderations in the rate of job shedding, however, meant that employment fell only modestly during the latest survey period.

Constructors' purchasing activity, on the other hand, fell at a faster rate in November. The decline in buying levels was sharpest since February 2021. Lower demand for building materials and products in turn alleviated some of the pressure on construction supply chains. The was highlighted by a drop in the incidence of input delivery delays to the lowest since September 2020.

The rate of input price inflation remained elevated in November, with surveyed firms commenting on the influence of high energy costs and rising factory gate charges set by manufacturers. That said, in line with easing supply-chain pressures, the overall rate of increase in input prices was the second-weakest 21 months. Rates charged by subcontractors also increased more slowly, driven in part by a further marked decrease in usage.

Looking ahead, the majority (51%) of German constructors expected a decrease in total activity levels over the next 12 months, reflecting an array of headwinds to demand. This compared with only 5% expecting a rise. The resulting index recorded one of its lowest readings in the series history (since 1999), although it did pick up from October's recent nadir to the highest since August.



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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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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.

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