

News Release

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S&P Global Germany Construction PMI®

Construction activity remains in contraction territory in June as demand for building work wanes

Key findings

Total Activity Index indicates third straight monthly contraction

Uncertainty and rising building costs weigh on new orders

Expectations towards future activity remain pessimistic

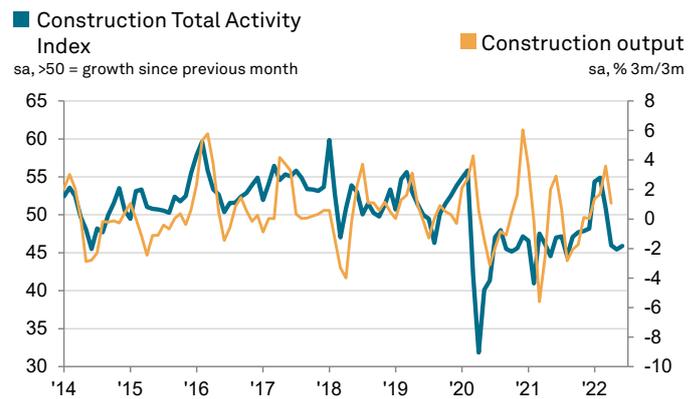
German construction companies reported a sustained reduction in activity in June as demand for building work was weakened by a combination of heightened economic uncertainty, rising building costs and higher interest rates, latest PMI® data showed. Supply chains remained stretched, whilst the rate of input price inflation was historically elevated, although pressures did ease somewhat on both fronts. Expectations for activity in the coming year remained pessimistic.

The headline S&P Global Germany Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry activity – registered 45.9 in June, up slightly from May's nine-month low of 45.4 but still firmly below the 50.0 threshold that separates growth from contraction. With April having also seen lower activity, the sector's performance during the second quarter was its weakest since Q1 2021.

Each of the three broad construction categories monitored by the survey recorded declines in activity in June. Civil engineering was the worst-performing segment for the second survey running, closely followed by commercial activity. Work on residential projects posted a comparatively shallower downturn, but one that was still notable. In each case, the rates of contraction barely eased since May.

The construction sector's poor performance throughout the second quarter has largely reflected a softening of demand for building projects. Inflows of new orders were down for the fourth month in a row in June, and, whilst easing to the weakest since March, the pace of decline remained marked overall. Surveyed businesses highlighted a growing hesitancy amongst customers, which they attributed to increased economic uncertainty, the high cost of building work and rising interest rates.

These factors, combined with concerns about continued supply chain issues and high inflation generally, meant



Sources: S&P Global, Eurostat.
Data were collected 13-29 June 2022.

Comment

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

"Another sub-50 reading for the headline Construction PMI in June points to the sector having contracted in the second quarter. After an especially strong start to the year, it was always going to be difficult for the construction sector to maintain that momentum. But its situation was made worse by the outbreak of the war in Ukraine, which has been a major headwind to demand and dampened activity even further. Firms report hesitancy among customers due to rising building costs in particular, but also higher prices generally, with an uncertain economic outlook and now rising interest rates further weakening the appetite for investment.

"Indeed, constructors' expectations for activity in the coming year remain rooted in negative territory, with far more firms expecting a decline in the level of work than those predicting a rise.

"It very much remains a sellers' market across construction supply chains, although June's survey did provide further evidence of some pressures starting to alleviate, as reports of delays in the delivery of materials eased and the rate of input cost inflation slowed notably to a five-month low."

PMI®

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that constructors maintained a negative outlook towards activity in the coming year. Expectations remained strongly pessimistic, albeit slightly less so than in May.

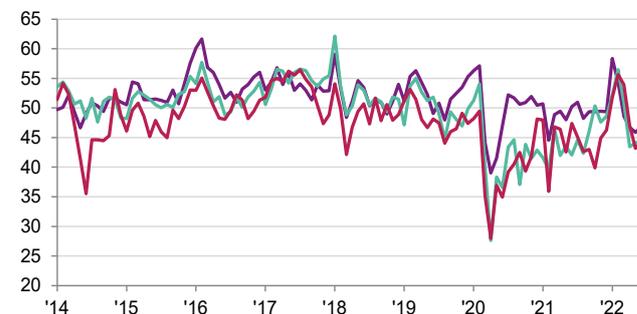
Material shortages continued to lead to delays in the receipt of purchases. Although the extent to which supplier performance deteriorated in June was the least marked for four months, it was still substantial overall and sufficient to lead some businesses to raise their purchasing activity to build up buffer stocks and mitigate against longer lead times.

Reflecting this, constructors' buying levels fell only slightly in June and at a much slower rate than actual activity, as was the case throughout the second quarter. Employment and subcontractor usage meanwhile decreased more notably and for the third month in a row, although the rates of decline were the weakest in their respective sequences.

June data indicated still-elevated cost pressures across the German construction sector. The rate of input price inflation remained firmly above its historical series average, although it did ease notably since May to a five-month low. Rates charged by subcontractors continued to rise at a near-record pace, due in part to an ongoing lack of availability.

- 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.

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