

Germany

Construction sector growth helps drive faster pace of economic expansion

- **Construction sector grows for seventh successive month in November**
- **German economy expands at fastest rate since June 2011 as growth seen in manufacturing, services, retail and construction**
- **Construction growth led by rising commercial activity**

The construction industry looks set to provide a boost to the German economy in the fourth quarter, according to Markit's PMI data. The construction PMI – which measures the overall level of business activity in the sector – registered expansion for the seventh successive month in November. Although the headline index dipped slightly from 52.6 in October to 52.1, the average reading in the fourth quarter so far is consistent with the sector's output rising by some 7% compared to the third quarter.

Taking the construction data alongside other PMI surveys, which showed the [manufacturing](#), [services](#) and [retail](#) sectors all expanding in recent months, the surveys suggest that the German economy is set to expand by approximately 0.5% in the fourth quarter, with even stronger growth possible if the surveys continue to improve in December.

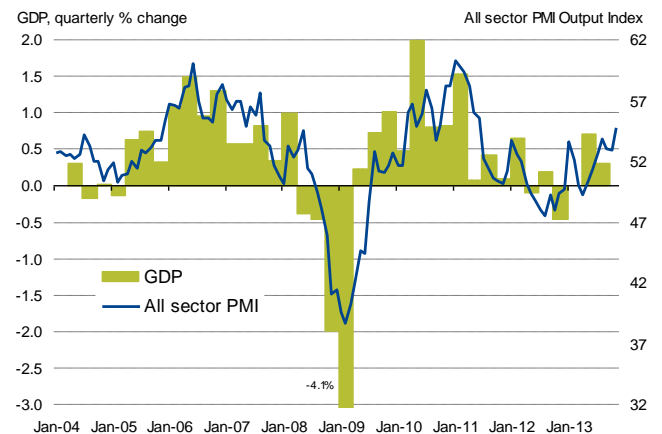
An all-sector PMI, which weights together the output and business activity indices from all four sectors, rose from 53.0 in October to 54.8 in November, its highest since June 2011.

The main acceleration in growth came from the services sector, followed by manufacturing. Retail sector growth strengthened slightly and expanded for a seventh straight month, indicating that rising consumer spending is helping drive stronger economic growth.

Builders boosted by rising investment

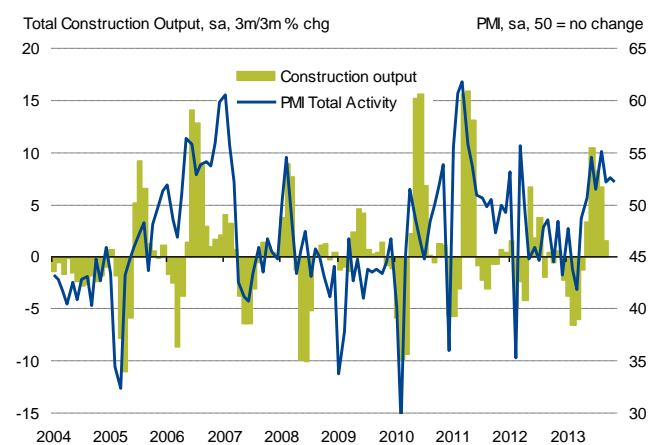
Growth of construction activity in November was limited to commercial activity, such as the building of industrial, retail and office premises, which has shown the strongest growth since early-2011 in recent months. The upturn points to a revival in business investment.

German GDP and the all-sector PMI



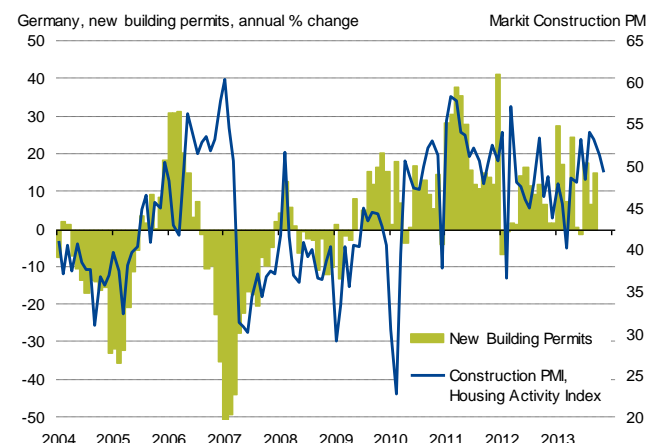
Sources: Markit, Destatis..

German construction: official and survey data



Sources: Markit, Destatis.

House building



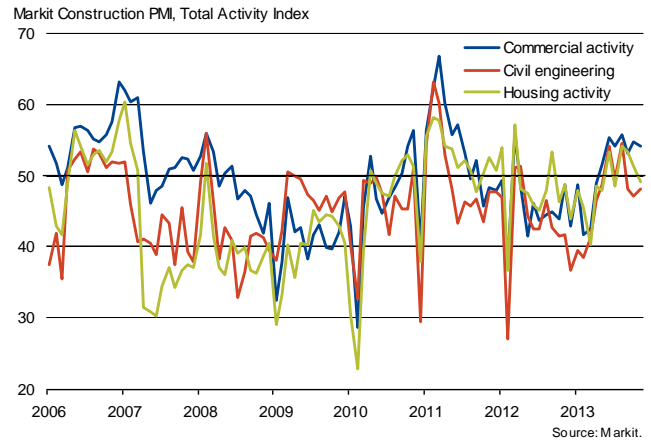
Source: Markit, Bundesbank.

In contrast, both house building and civil engineering fell in November, the former dropping for the first time in four months and the latter down for a third consecutive month.

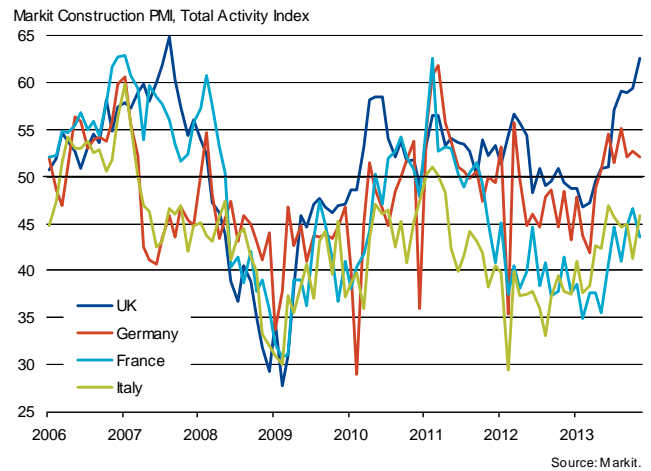
German construction leads France and Italy but lags UK

The construction PMI data reveal how the sector is adding to the economic upturn in Germany, but further downturns are evident in both Italy and France, suggesting construction will act as a drag on economic growth in the final quarter in both countries. However, in Europe the standout performer is the UK, where [construction activity is surging higher](#), growing at the fastest rate since 2007.

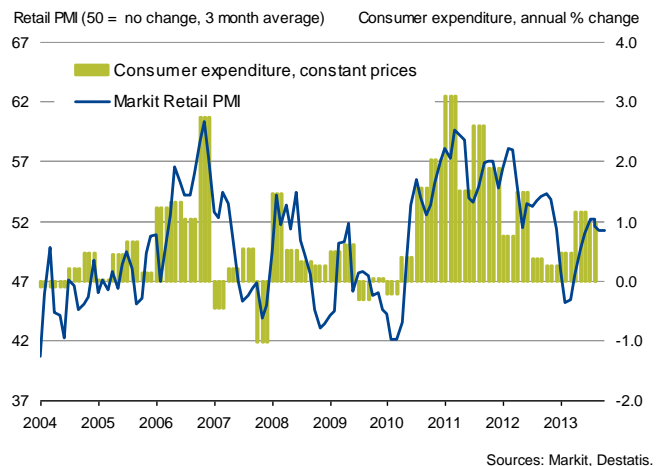
Construction sectors



Construction sector comparisons



Consumer spending



Chris Williamson

Chief Economist

Markit

Tel: +44 207 260 2329

Email: chris.williamson@markit.com

[Click here](#) for more PMI and economic commentary.

For further information, please visit www.markit.com