

# News Release

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## S&P Global Italy Construction PMI®

### Italian construction activity declines steeply in August

#### Key findings

Back-to-back drops in construction activity

Steepest fall in new orders since April 2020

Further pessimism towards outlook

The Italian construction sector sank further into contraction territory during August, according to the latest PMI® data from S&P Global. Business activity declined for the second month in a row and at a steeper pace amid the quickest drop of new work since April 2020. In response, firms paired back on their input buying and cut jobs for the first time in over a-year-and-a-half.

The weak performance was also reflected in a stronger degree of pessimism towards the year-ahead outlook for output, with firms the most downbeat since the height of COVID-19 restrictions in early-2020.

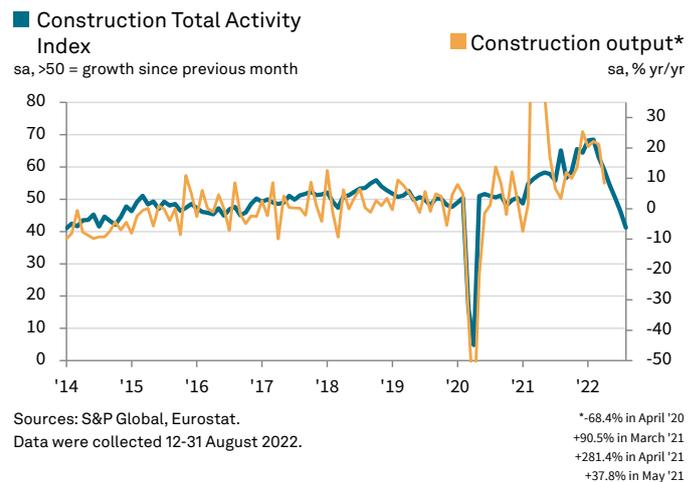
The headline S&P Global Italy Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry activity – registered 41.2 in August, down from 46.2 in July, to signal the fastest reduction in Italian construction output since April 2020 and one that was steep overall.

At the sector level, the decline remained broad-based in August. Moreover, each of the three monitored sectors recorded an accelerated decline in activity, led by Commercial.

Central to the sustained overall downturn was a further contraction in order book volumes at Italian constructors. According to panellists, weak demand conditions were the result of economic uncertainty, the war in Ukraine and issues surrounding the government superbonus scheme. Notably, the rate of reduction in new work was the most marked since April 2020, at the height of initial COVID-19 lockdown measures.

In line with the trends for activity and new orders, Italian constructors continued to pare back on buying activity in August. The rate of decline quickened on the month and was the sharpest for well over two years.

Nonetheless, there were further signs of strain on supply



#### Comment

Lewis Cooper, Economist at S&P Global Market Intelligence, said:

"A further decline in Italian construction activity was recorded in August, with the pace of contraction the steepest since April 2020. Moreover, the downturn was broad-based across the three monitored construction sub-sectors, with each recording an accelerated pace of decline.

"Demand fundamentals deteriorated further, with new orders to firms declining for the third month in a row and at the quickest rate since the height of initial pandemic restrictions in early-2020.

"Concerningly, firms recorded increased pessimism towards the outlook over the coming year, which was reflected in the first occurrence of job shedding for 19 months, albeit only fractional.

"The downbeat outlook was linked to issues with the superbonus scheme as well as a poor economic outlook amid surging cost pressures, the war in Ukraine, and weak demand conditions. This suggests firms are not expecting conditions to improve in the short term."

PMI®

by S&P Global

chains in August as average lead times for inputs lengthened further. Panellists cited material shortages and capacity pressures at suppliers. Though still sharp overall, the extent of delays was the smallest for 18 months.

Elsewhere, after stalling in July, August data highlighted the first fall in staffing levels at Italian construction firms since January 2021. That said, the pace of job shedding was only fractional. Constructors meanwhile registered a further solid reduction in subcontractor usage midway through the third quarter.

On the price front, input costs rose again in August. Respondents cited surging energy, fuel and material costs as drivers of inflation. Notably, the pace of input price inflation picked up since July and remained amongst the most severe on record.

Looking ahead, the weak performance of the sector in August was reflected in a greater degree of pessimism towards the year-ahead outlook for activity. In fact, constructors were the most downbeat since April 2020. Anecdotal evidence attributed pessimism to a number of factors including the uncertain economic outlook, weak client demand, the war in Ukraine, inflationary pressures and issues with the superbonus scheme.

- 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 Italy 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 July 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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