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IHS Markit Italy Construction PMI®

Construction activity continues to rise in July, but growth cools

Key findings

Sharp, but slower, increase in business activity

Demand continues to surge

Cost pressures remain at near record high

Data were collected 12-30 July 2021.

Italy's construction sector continued to rebound during July, according to the latest PMI® data from IHS Markit. Business activity rose for the sixth straight month and sharply, although the rate of growth eased further. Inflows of new work expanded rapidly again, with the rate of increase among the quickest on record, despite easing.

Meanwhile, sustained supply constraints and material shortages led to another surge in input costs, with the rate of inflation remaining close to June's survey record.

Adjusted for seasonality, the headline IHS Markit Italy Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry output – registered 55.8 in July to signal a sixth consecutive monthly increase in Italian construction activity, and one that was sharp overall. The latest reading was down from 57.9 in June, however, pointing to the slowest rate of growth since February, as the sector's rebound lost some momentum.

Across the monitored sectors, residential again saw the quickest rate of growth in July, followed by commercial construction, although both sectors saw the rate of expansion ease on the month. Meanwhile, civil engineering recorded a back-to-back reduction in activity and fell deeper into contraction territory.

July data also highlighted another rapid increase in the volume of new work at Italian construction firms. The rate of expansion softened from June's two-decade high, but

continued...

Italy Construction PMI Total Activity Index
sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Lewis Cooper, Economist at IHS Markit, said:

"The start of the third quarter provided further positive signs for the Italian construction sector. Business activity and inflows of new work continued to rise steeply as looser lockdown restrictions and government tax relief schemes again boosted demand. The rates of growth did ease on the month as growth cooled from record rates, but were still sharp overall."

"Concerns once again stemmed from supply delays and the knock-on impact to prices. Delivery times lengthened steeply again, with material shortages also driving a near record rate of cost inflation."

"Nonetheless, companies remain upbeat with regards to the year-ahead outlook, with sentiment remaining among the strongest on record. Construction firms are hopeful of a strong economic rebound following the loosening of COVID restrictions and the continued boost from the government eco- and super-bonus schemes, which have undoubtedly provided a real lifeline to the sector throughout the pandemic."

was still among the quickest in the series history. Panellists attributed stronger client demand, and subsequently greater business activity, primarily to the government eco- and super-bonus schemes, although there were some mentions of site reopenings amid the easing of lockdown measures.

Greater activity requirements again spurred firms to raise their buying levels in July. The rate of increase in purchasing slowed further, but was still sharp overall.

Meanwhile, July data pointed to further supply disruptions, as vendor performance deteriorated again amid widespread reports of material shortages. Delays were the third most severe on record.

Supply constraints fed though to cost pressures too in July. Input prices rose rapidly, with the rate of inflation easing only slightly from June's recent peak. Price hikes at suppliers and shortages of inputs were the main drivers of cost inflation in July, according to panellists. Subcontractor rates meanwhile rose at a joint-record pace.

Nonetheless, firms continued to take on additional staff in July, extending the current sequence of job creation to six months. The latest rise in employment was moderate, despite easing on the month. Constructors also increased their usage of subcontractors at a quicker pace.

Italian construction companies remained upbeat with regards to activity over the next 12 months during July. Sentiment improved since June and was among the strongest on record. Surging demand, government tax relief schemes and hopes of a sustained economic recovery were all cited as reasons to be confident.

Italy Construction PMI Total Activity Index
sa, >50 = growth since previous month



Sources: IHS Markit, Eurostat.

*+37.3% in May '21
+289.9% in April '21
+81.5% in March '21
-68% in April '20

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Survey methodology

The IHS Markit Italy Construction PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 150 construction companies. The panel is stratified by company workforce size, based on contributions to GDP.

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.

Survey dates and history

July data were collected 12-30 July 2021.

Survey data were first collected July 1999.

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