News Release

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S&P Global Italy Construction PMI®

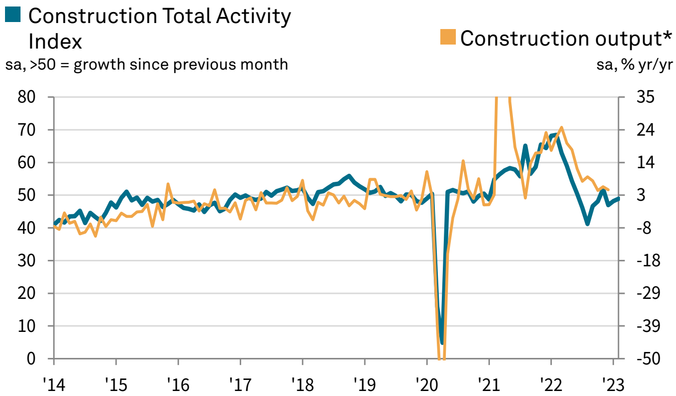
New orders continue to fall amid superbonus scheme uncertainty

Key findings

Third successive declines in output and new orders

Supply-chain and cost pressures soften

Employment rises at fastest pace in ten months



Sources: S&P Global, ISTAT.
Data were collected 10-28 February 2023.

*-69.6% in April '20
+77.5% in March '21
+270.7% in April '21
+33.6% in May '21

Construction activity continued to fall in Italy during February as demand faltered again. Sector weakness often reflected uncertainty regarding the government's superbonus scheme. On a more positive note, employment increased solidly over the month. Meanwhile, there were further signs of improvement with regards to both supply chains and cost inflation.

The headline S&P Global Italy Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry activity – posted 48.9 in February, up from 48.2 in January but still below the 50.0 no-change mark. The latest fall was the third in as many months, albeit only slight and the weakest in this sequence.

According to respondents, uncertainty around the continuation of the superbonus scheme and faltering client interest were the main factors leading to the latest fall in construction activity.

Activity was down across each of the three broad categories of construction covered by the survey as civil engineering posted a reduction for the first time in four months to join residential and commercial in contraction mode. The reduction in civil engineering activity was only marginal, however, and the weakest of the three categories. Both housing and commercial saw activity decrease for the third month running, but at softer rates than in January.

Uncertainty around the superbonus scheme was also key to the latest reduction in new orders in the sector, the third in as many months. The pace of decline was solid, but the softest in the current sequence of decline.

As well as impacting current workloads, the prospect of the superbonus scheme ending also acted to dampen sentiment in the year-ahead outlook for construction activity. Companies continued to predict growth of activity, but optimism weakened from the previous survey period. The National Recovery and Resilience Plan was one factor

Comment

Andrew Harker, Economics Director at S&P Global Market Intelligence, said:

"Worries around the continuation of the government's superbonus scheme continued to bear down on the construction sector during February, with firms reporting a lack of client interest. The end of the scheme also impacted business sentiment, although there were hopes that the National Recovery and Resilience Plan will help to boost workloads.

"Meanwhile, there were further signs of price and supply pressures normalising, which should help firms' operations in the months ahead. The main positive from the latest survey was a further pick-up in employment, which suggests that constructors will be ready should a recovery in demand emerge."

supporting confidence in the outlook, in addition to hopes for general improvements in demand.

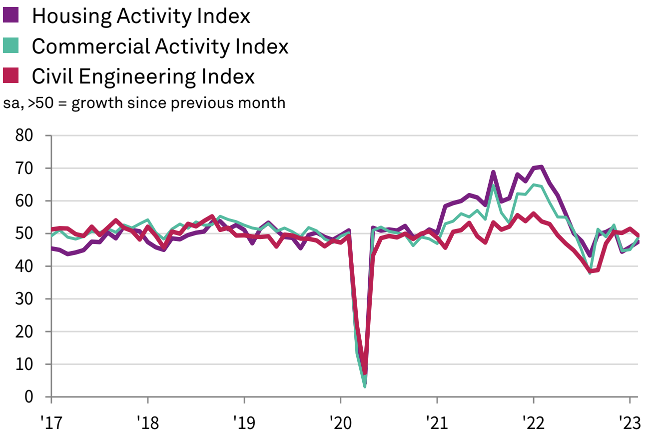
Optimism in the year-ahead outlook and some signs of the decline in new orders softening encouraged construction firms to increase their staffing levels again in February. Employment rose for the fourth month running, and at the fastest pace since April last year.

In contrast, purchasing activity decreased for the third successive month, and at a solid pace.

Lower demand for inputs alleviated some pressure on supply chains during February, contributing to the least pronounced lengthening of lead times in 27 months. That said, suppliers' delivery times continued to lengthen sharply amid ongoing difficulties sourcing materials.

The rate of input cost inflation also softened, easing for the fifth month running to the weakest since December 2020. Where input prices rose, panellists linked this to higher costs for energy, fuel and materials.

In line with the picture for purchase costs, the rate of inflation in sub-contractor rates also eased in February, and was the slowest in two years. Meanwhile, sub-contractor usage increased for the second month running and their availability continued to decline.



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.

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.