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IHS MARKIT ITALY CONSTRUCTION PMI®

Quickest upturn in construction activity for over 14 years

KEY FINDINGS

Total activity rises at quickest rate since January 2007

Fastest increase in new work for almost two decades

Cost pressures most marked on record

Data were collected 12-31 March 2021.

Italy's construction sector saw sustained growth at the end of the first quarter, according to the latest PMI® data. Output rose at the steepest pace for over 14 years, driven by the fastest upturn in new work for almost two decades. However, ongoing supply disruptions led to the fastest increase in costs on record.

The headline figure from the survey is the IHS Markit Italy Construction Total Activity Index. This is a diffusion index that tracks changes in the total volume of construction activity compared with one month previously, and is adjusted for seasonal variations.

The headline figure climbed further above the 50.0 mark during March, moving up from 54.8 in February to 56.3. Panellists attributed the latest upturn to improved demand conditions and government tax relief schemes. Moreover, the latest figure pointed to the quickest growth of Italian construction activity since January 2007.

Growth was recorded across each of the three monitored segments in March. Housing activity saw the fastest expansion, with output rising at the steepest pace on record (since 1999), followed by commercial activity. Meanwhile, civil engineering activity returned to growth following two months of decline, but the upturn was only fractional overall.

Central to the sustained recovery in construction activity was further growth of demand during March. Inflows of new work increased for the second month running, due in part to the government ecobonus and superbbonus schemes. The

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



Source: IHS Markit.

expansion in new work was the strongest since May 2001.

In line with greater activity requirements, firms again upped their buying activity in March. The latest rise was the fastest since January 2007 and sharp.

Higher demand for inputs placed further strain on supply chains, however. Lead times for building materials and products lengthened to the greatest extent since last May, and to the fourth-greatest degree on record.

Turning to prices, cost burdens increased rapidly again in March. According to panellists, greater raw material costs, shortages and price hikes at suppliers were the main drivers of the latest round of cost inflation, which was the fastest on record. Sub-contractor rates meanwhile increased at the fastest pace for over 20 years.

March data also highlighted further job creation in the Italian construction sector. Employment rose at the quickest rate for nearly two years and solidly.

Looking ahead, constructors remained optimistic with regards to activity over the next year in March. Confidence was attributed to government tax relief schemes, improved client demand and hopes of a solid recovery once coronavirus disease 2019 (COVID-19) restrictions are loosened. Sentiment moderated from February's recent peak, but was still historically elevated.

COMMENT

Lewis Cooper, Economist at IHS Markit, which compiles the survey:

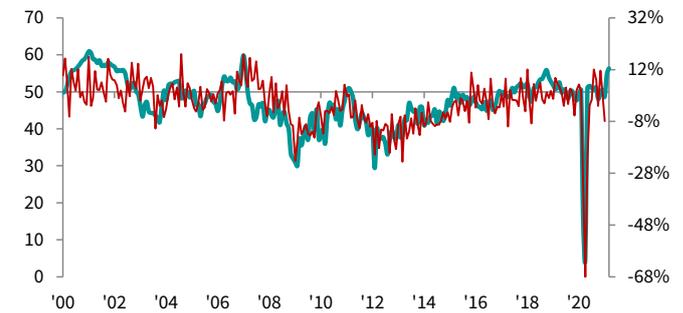
"The end of the first quarter saw a solid performance for the Italian construction sector. Total activity increased at the quickest rate for over 14 years, with growth registered across all three monitored sub-sectors, while the rise in new work was the steepest for almost two decades."

"Further supply chain disruption added to already strong cost pressures in March, however. Input prices rose at the most marked pace since data collection began in 1999, with panellists reporting shortages and price hikes at suppliers."

"All in all, data highlighted a sustained upturn in the sector, providing clear signs that the recovery is underway despite ongoing lockdown measures. The government ecobonus and superbonus schemes were again cited as drivers of the latest improvements in activity, demand and business confidence, and continue to provide a well-needed boost to the sector."

Total Activity Index

sa, >50 = growth since previous month

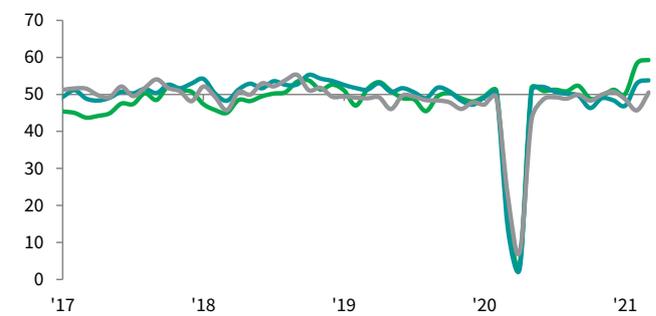


Sources: IHS Markit, ISTAT

Activity Index by construction category

Housing / Commercial / Civil Engineering

sa, >50 = growth since previous month



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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 200 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.

March data were collected 12-31 March 2021.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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