

# News Release

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## S&P Global Italy Construction PMI®

### Renewed decline in construction activity

#### Key findings

Total activity falls amid fresh downturn in new orders

Fastest decline in buying activity since August

Business confidence slumps to three-month low

The Italian construction sector recorded a fresh contraction in total activity during December. The downturn was driven by a renewed - and sharp - decline in new orders, linked in turn to weak client demand, a lack of new tender opportunities and uncertainty around the government superbonus scheme.

Subsequently, the final month of 2022 saw input buying decline sharply, while business confidence slumped to a three-month low.

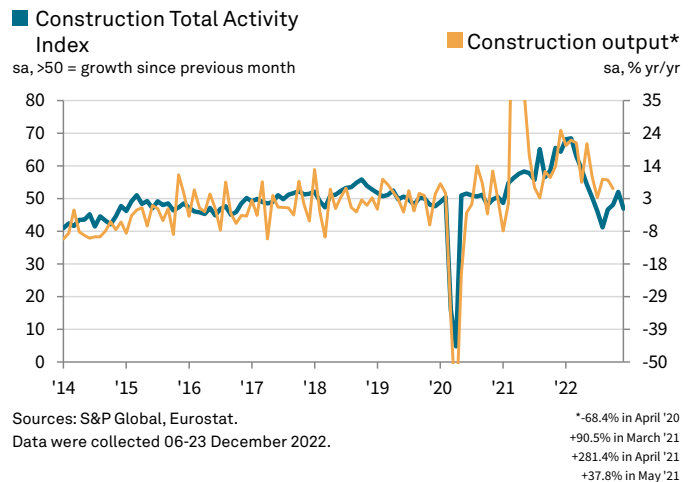
The headline S&P Global Italy Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry activity – fell from 52.0 in November to 47.0 in December, to signal a renewed contraction in activity across the sector, and one that was solid overall.

At the sector level, renewed contractions were recorded across both residential and commercial, with rates of decline sharp in both cases. Meanwhile, civil engineering activity levels were broadly stagnant on the month, but was nonetheless the best performing sector of the three monitored.

The overall decline in activity during December was accompanied by a fresh reduction in inflows of new work at Italian construction firms. According to panellists, a lack of tender opportunities and uncertainty around the government's tax relief schemes drove the latest decline. Moreover, the rate of reduction in new orders was the quickest since August and sharp overall.

Elsewhere, weak demand conditions reportedly led firms to pare back on input buying in December. The latest fall was the quickest for four months and sharp by historical standards.

Nonetheless, average suppliers' delivery times continued to lengthen during the final month of 2022 amid widespread reports of material shortages. Albeit solid overall, the extent to which lead times lengthened was the smallest for two



#### Comment

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

"December data signalled a fresh decline in total construction activity across Italy, driven by a sharp contraction in new orders that was linked in turn by respondents to a lack of tender opportunities and uncertainty around the superbonus scheme.

"At the sector level, renewed and sharp reductions in activity were recorded across residential and commercial, while the civil engineering sector saw activity levels broadly stagnate on the month.

"In response, firms pared back sharply on input buying in December, which helped to alleviate some pressure on supply chains.

"The final month of 2022 saw business confidence dip to a three-month low, however, reflecting concerns around demand, productivity and government tax relief schemes."

PMI®

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years.

Despite lower activity levels and falling sales, Italian construction firms continued to take on additional staff during December, extending the current sequence of job creation to two months. The rate of expansion slowed since November and was only mild by historical standards, however. Constructors also reported a further decline in subcontractor usage during December, albeit the weakest in the current seven-month sequence and only fractional overall.

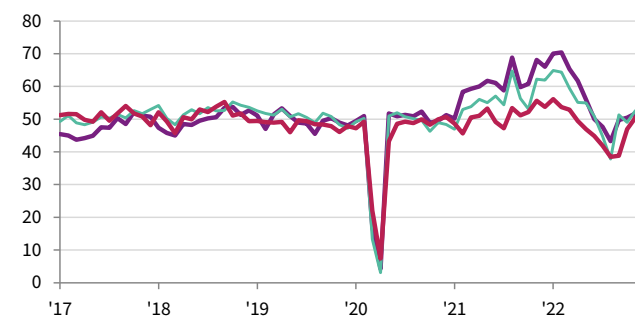
Turning to costs, a thirty-first successive monthly rise in input prices faced by Italian construction firms was recorded in December. According to panellists, higher material prices, linked in turn to shortages, drove the increase. The rate of cost inflation was the weakest since January 2021, but sharp nonetheless.

Looking ahead, firms remained, on average, optimistic towards the year-ahead outlook for activity. Anecdotal evidence attributed confidence to hopes of stronger client demand.

That said, the level of sentiment dipped to a three-month low in December and was noticeably subdued in the context of historical data, with some respondents reporting concerns around the government bonus schemes and productivity levels.

- 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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