

S&P Global Italy Construction PMI[®]

Construction activity falls with cost inflation highest since October 2022

March 2026

Residential building leads widespread downturn across monitored sub-sectors

Buying activity lowered as cost inflation rises

Pessimism signalled regarding 12-month outlook

The Italian construction sector fell back into contraction in March, while war in the Middle East added to inflationary pressures.

The trends of reduction in output and new orders were renewed after just a brief spell of growth in February. Meanwhile, supply chain bottlenecks occurred despite a fresh drop in buying activity. Looking ahead, the 12-month outlook was negative for the first time in over three-and-a-half years.

Down from 50.4 in February, the headline Italy Construction PMI[®] Total Activity Index — which measures month-on-month changes in total industry activity — dropped below the crucial 50.0 mark in March. Posting at 46.8, the latest reading signalled a solid reduction in construction output that was the most pronounced since August 2024.

Panellists linked the latest fall in activity to reduced order numbers, elevated cost pressures and weak demand.

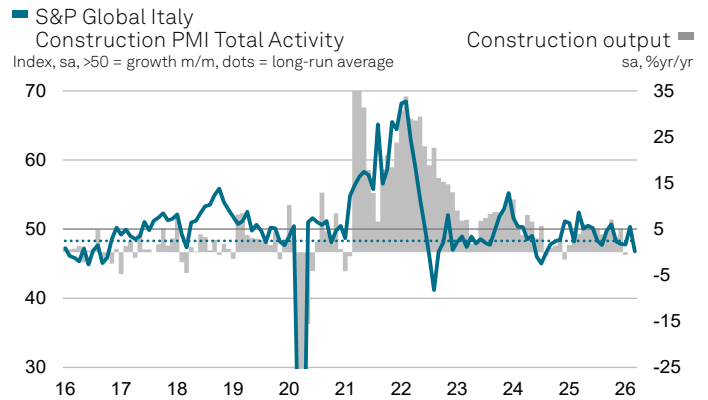
The contraction was broad-based by sector, with all three monitored recording a fall for the first time in 2026 so far. Output decreased solidly across the board, with the slowest reduction seen in the commercial sector.

The volume of new work placed at Italian constructors also declined in March. This compared unfavourably with the upturn in February, when the expansion was the strongest in eight months. War in the Middle East was seen to have created uncertainty across the sector and added to cost pressures, as cited in panel member reports.

In response to reduced output and new orders, input requirements were lower and purchasing was scaled back. The rate of decrease was stronger than the long-run trend, albeit only moderate in nature.

Despite the drop in demand for inputs, disruption to supply chains linked to war in the Middle East caused average lead times on the delivery of inputs to lengthen. The decline in vendor performance was the most pronounced since May last year.

The Middle East war played a large role in driving cost inflation



Data were collected 12-31 March 2026.

Sources: S&P Global PMI, ISTAT via S&P Global Market Intelligence. © 2026 S&P Global

Comment

Eleanor Dennison, Economist at S&P Global Market Intelligence, said:

"February's uptick proved to be short-lived, as demand for construction work faltered and activity contracted in March. Sentiment across the Italian building sector took a turn for the worse in March, as the impact of war in the Middle East was already causing problems for firms. For the first time in over three-and-a-half years, more firms foresee a drop in activity over the year ahead than do an increase.

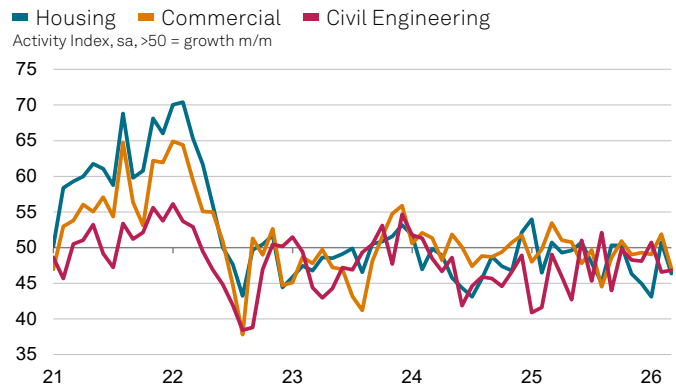
"At present, the impact of the war is mainly being felt in supply chains and on prices. The intensification of cost pressures was most notable, with more than half of firms reporting an increase from February. Among the drivers were energy and raw materials, particularly those that are energy-intensive, with suppliers increasing their price lists.

"The only positive aspect of the latest survey was an uptick in the rate of jobs growth. However, once existing work is complete, new orders must be received to replace it to ensure financial viability for firms."

higher in March. The rate of inflation was its highest since October 2022. Energy and raw materials were frequently cited by panellists as up in price. In addition, Italian constructors also paid more in subcontractor rates, which rose to the strongest degree in over three years.

In order to support existing orders, firms continued to add to their payroll numbers. The overall level of employment rose at a modest rate that was slightly faster than in February. Meanwhile, subcontractor usage was up for the first time in nine months and to a degree not seen in almost two-and-a-half years.

Raised levels of uncertainty around the impact of war in the Middle East led firms to predict a fall in activity over the coming year in March. Sentiment towards the future turned negative for the first time since August 2022. Some panellists also noted worries linked to the upcoming end of the National Recovery and Resilience Plan (PNRR) and around demand fragility.



Source: S&P Global PMI. ©2026 S&P Global.

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Methodology

The S&P Global Italy Construction PMI® is compiled by S&P Global from responses to questionnaires sent to a panel of around 200 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@spglobal.com.

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