

# News Release

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## S&P Global Italy Construction PMI®

### Construction activity declines for first time since January 2021

#### Key findings

Total construction activity contracts sharply in July...

... as new orders decline at quicker pace

Sentiment turns negative for first time since April 2020

The Italian construction sector dropped into contraction territory during July, according to the latest PMI® data from S&P Global. Total activity fell sharply amid an accelerated decline in order book inflows. According to respondents, heightened economic uncertainty, combined with issues around the superbonus scheme and site closures weighed heavily on demand conditions.

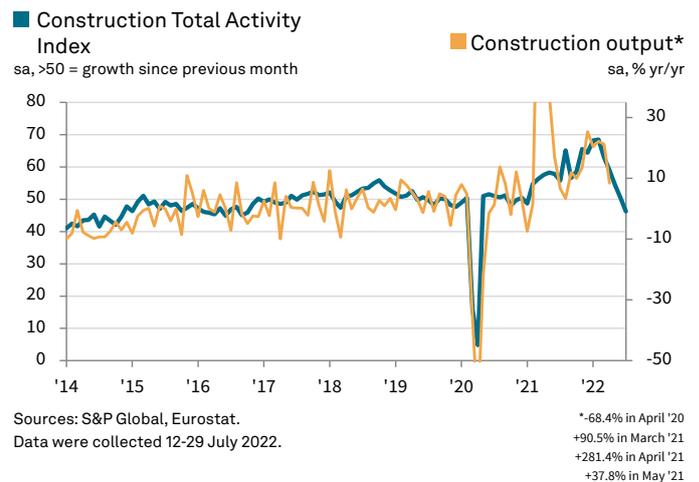
The poor performance was also reflected in business confidence in July, with sentiment towards output over the next year turning negative for the first time since the initial COVID-19 lockdowns in April 2020. Subsequently, employment growth stalled, with headcounts unchanged on June.

The headline S&P Global Italy Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry activity – registered 46.2 in July, down from 50.4 in June, to signal the first fall in Italian construction output since January 2021 and one that was the sharpest since April 2020.

The downturn was broad-based across the three monitored sectors in July, led by civil engineering which saw a marked drop in activity. Commercial construction activity meanwhile fell into contraction following a marginal upturn in June, with the decrease sharp overall. Notably, after stagnating in June, residential construction activity declined for the first time since late-2020.

Contributing to the overall contraction in July was a back-to-back reduction in order book inflows. The rate of decline quickened to a solid pace overall. Panellists linked the latest fall to weak client demand amid heightened uncertainty and issues around the government superbonus scheme.

Amid falling activity levels and a weak pipeline of new work, Italian constructors pared back on their input buying in July. The fall in purchasing activity was the first since January 2021 and solid overall.



#### Comment

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

"Italy's construction sector succumbed to a sustained deterioration in demand conditions in July, with business activity contracting for the first time since January 2021 and sharply overall. Notably, each of the three monitored sectors registered lower output compared to June, led by civil engineering.

"Order book volumes fell for the second month running, with panellists citing weak demand conditions amid issues relating to the government superbonus scheme and heightened economic uncertainty.

"The poor performance at the start of the third quarter was reflected in a downbeat outlook towards business activity in 12 months' time, with survey respondents citing recession risks, geopolitical issues and expectations that the superbonus scheme will end. Constructions are clearly expecting the challenging business environment to persist for some time."

PMI®

by S&P Global

Elsewhere, average lead times for inputs lengthened further in July, amid reports of shortages and transport issues. Delays were the least widespread since February 2021, however.

July data also pointed to a stalling of hiring activity across the sector, thereby ending a 17-month sequence of job creation.

Turning to prices, costs faced by construction firms continued to rise in July. Panellists cited greater energy, material, fuel and transport costs as drivers of input price inflation. Although still rapid by historical standards, the latest uplift in cost burdens was the softest for 17 months. Constructors also reported a further marked increase in subcontractor rates at the start of the third quarter.

Looking ahead, the Future Activity Index sank below the neutral level of 50.0 for the first time since April 2020 in July. This signalled downbeat expectations amongst Italian constructors towards output in 12 months' time. Uncertainty around the near-term economic outlook, political instability, the war in Ukraine, and expectations that government tax relief schemes will end were all cited in anecdotal evidence as drivers of negative sentiment in July.

- 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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