

News Release

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S&P Global Italy Construction PMI[®]

Further declines in both activity and new orders signalled

Key findings

Fourth month in a row that output has fallen

Confidence up however leading to boost in employment

Price and supply-side pressures further dissipate

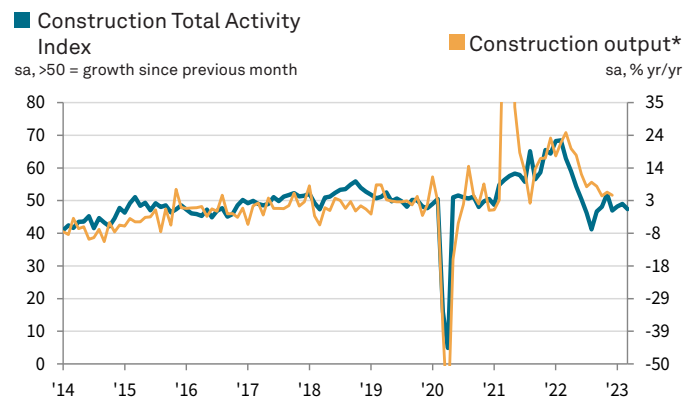
Italy's construction sector remained in a downturn during March. Activity fell for a fourth successive month, with the rate of contraction accelerating since February as ongoing uncertainty, in part related to the government's superbonus scheme, continued. That said, employment growth was sustained, and confidence in the future picked up. Input price inflation softened again, and supply-side constraints continued to show a relative improvement with average lead times lengthening only modestly.

The headline S&P Global Italy Construction *Purchasing Managers' Index*[®] (PMI[®]) – which measures month-on-month changes in total industry activity – remained stuck below the crucial 50.0 no-change mark during February for a fourth successive month. Moreover, by dropping to a level of 47.4, from 48.9 in February, the rate of contraction signalled by the index was the sharpest seen in the past three months.

Activity continued to be adversely affected by indecision, with several mentions again of the superbonus scheme and the uncertainty over its continuation. Firms also reported that new orders were again diminished, falling for a fourth month in a row.

The downturn in activity was broad-based according to the latest data, with all three categories of construction recording declines. The sharpest fall was seen in civil engineering, where output fell to the greatest degree recorded by the survey since September 2022. Commercial activity fell the least, though even here the pace of decline was solid.

Despite the disappointing trends in activity and new work, constructors continued to take on additional staff during March. It was the fifth month in a row that employment has risen, although the rate of growth was marginal and the softest in this sequence. Higher staffing levels were likely linked in part to some confidence in the future. Sentiment improved since February, amid expectations that the



Sources: S&P Global, ISTAT.
Data were collected 10-31 March 2023.

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

Comment

Paul Smith, Economics Director at S&P Global Market Intelligence, said:

"Indecision and ongoing worries of the government's superbonus scheme continued to limit activity in Italy's construction sector March, with both output and orders declining for the fourth successive month.

"That said, there were some positive growth signs. Sentiment improved since February, and firms continued to take on additional staff (albeit only marginally). Moreover, two of the main challenges that the sector has faced since the onset of the pandemic – high inflation and supply-side challenges – continued to show signs of dissipating as the first quarter of 2023 ended."

PMI[®]

by S&P Global

National Recovery and Resilience Plan will help generate growth in activity over the coming 12 months.

Optimism also reflected a further weakening of cost pressures. Input prices continued to rise in March, but at the slowest pace since November 2020. This in part reflected a more stable supply-side picture. Although average lead times for the delivery of inputs continued to lengthen, they did so only modestly and to the slowest degree since November 2019. Weaker demand for goods and materials helped to alleviate some pressure on suppliers. Latest data showed that purchasing activity amongst Italian constructors continued to fall in March, the fourth successive month that this has been the case. Overall, the decline was solid, but the slowest in this sequence.

Finally, constructors continued to lean more heavily on sub-contractors during March. Usage was reported to be up for a third month in a row. Higher demand weighed on availability, which declined for a thirty-third month in succession. Sub-contractors subsequently remained in a position to increase their rates charged, with rose in March at a faster pace than February's two-year low. This was despite the perceived quality of their work deteriorating again over the month.

■ 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.

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