

IHS MARKIT ITALY CONSTRUCTION PMI®

Construction activity declines at slower rate in November

KEY FINDINGS

Headline Total Activity Index approaches neutral 50.0 mark

All three broad sectors record shallow downturns

New order growth remains only mild

Data were collected 12-30 November 2020.

Latest PMI® data signalled a noticeably slower reduction in Italian construction activity, and one that was only fractional overall. The downturn remained broad-based across the three monitored segments, although each recorded a softer rate of decline, with output in the civil engineering segment little-changed on the month. Meanwhile, firms registered a further increase in order book volumes in November. The rate of growth quickened slightly from October, but was still only mild overall.

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 index rose from 48.1 in October to 49.8 in November, pointing to only a fractional decline in overall activity. Where a reduction was recorded, this was commonly attributed to the disruption caused by the coronavirus disease 2019 (COVID-19) pandemic.

At the sub-sector level, further reductions in output in the residential and commercial segments weighed on overall activity, with the latter seeing the quicker fall. Both sectors saw the rate of decline ease from October, however. Meanwhile, civil engineering activity was broadly stable, following 23 successive monthly reductions.

At the same time, Italian constructors signalled a sixth consecutive monthly increase in order book volumes, amid

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



Source: IHS Markit.

reports that the opening of new construction sites had led to improved client demand. The rate of growth remained only mild overall, however.

Meanwhile, firms continued to pare back on purchasing during November, with the rate of contraction quickening slightly on the month. Nonetheless, vendor performance deteriorated further, amid reports that the pandemic was continuing to disrupt supply chains. That said, lead times lengthened to a much lesser extent than in October.

November data also highlighted a renewed reduction in employment in the Italian construction sector. The rate of job shedding was only mild overall, however and slower than seen earlier in the year.

Turning to prices, input costs continued to rise, with the rate of inflation the quickest since August and solid. Raw material shortages and price hikes at suppliers were the main drivers of cost inflation in November, according to panellists. Sub-contractor fees also rose on the month.

Finally, firms remained optimistic regarding output over the coming 12 months. The level of positive sentiment dipped noticeably on the month and was the weakest since May, however, with some respondents citing concerns about lockdown measures and the wider economic impact of the pandemic.

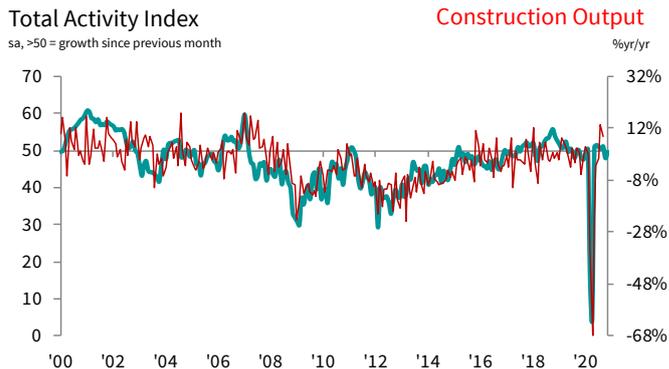
COMMENT

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

"November data highlighted a further reduction in activity across the Italian construction sector, with the COVID-19 pandemic and associated lockdown measures continuing to weigh on the industry. The contraction in activity eased noticeably from October and was only fractional, albeit still broad-based across each of the three broad sectors."

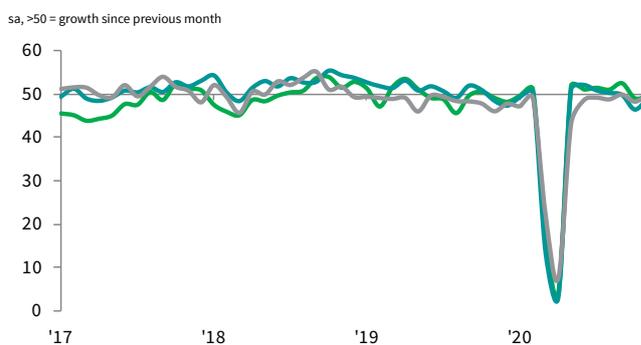
"More encouraging news came from new orders, which rose mildly again, pointing to a sustained recovery in client demand. Nonetheless, construction firms signalled a renewed fall in staffing levels during November, although job cuts were notably less widespread than in the spring."

"Looking to the future, Italian constructors remained confident of higher output in 12 months' time, with government incentives and promising news of a vaccine driving optimism. But, with lockdown measures tightening in the meantime, the level of sentiment dipped to a six-month low amid concerns about the effect of the restrictions and the wider economic impact of the pandemic."



Sources: IHS Markit, ISTAT

Activity Index by construction category
Housing / Commercial / Civil Engineering



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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.

November data were collected 12-30 November 2020.

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

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