

News Release

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S&P Global Italy Construction PMI®

Rate of expansion in construction activity eases sharply in May

Key findings

Sharp slowdown in growth rates of activity and new orders

Confidence moderates to 17-month low

Cost inflation weakest since February 2021

The Italian construction sector remained on a growth footing in May, according to the latest PMI® data from S&P Global, but the rate of expansion eased sharply to the weakest in the current 16-month sequence amid a slower rise in new orders. Concerns around the outlook intensified amid the war in Ukraine and material shortages, with sentiment the weakest for 17 months.

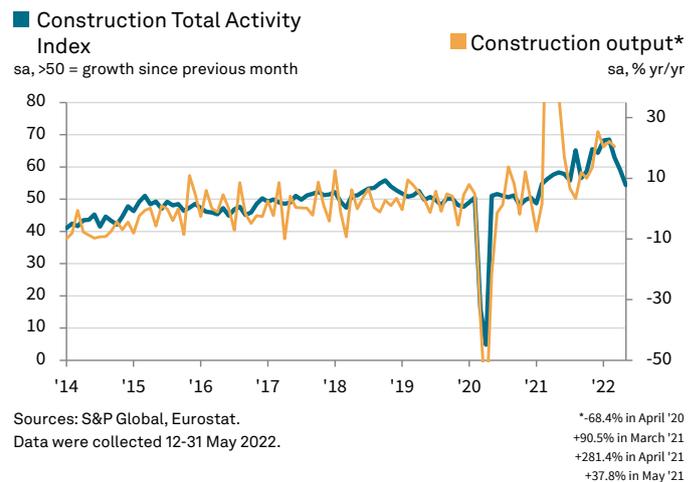
Elsewhere, inflationary pressures continued to retreat from recent peaks, with the pace of cost inflation the slowest since February 2021, albeit still rapid overall.

The headline S&P Global Italy Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry activity – posted 54.3 in May, to signal a sixteenth consecutive monthly increase in Italian construction activity and one that was solid. According to respondents, the latest upturn was driven by higher inflows of new work.

That said, down from 59.0 in April, the headline figure pointed to a further easing of growth momentum from the peak registered in February, and was indicative of the slowest rate of expansion in the current sequence.

At the sector level, residential activity continued to top the growth rankings in May, but recorded a notable slowdown in the rate of expansion to the weakest since January 2021. Similarly, commercial construction activity rose at the slowest pace for seven months, although still strongly in the context of historical data. Civil engineering meanwhile remained a drag, with activity in the sector falling for the second month running and sharply overall.

The weaker overall expansion in May largely reflected a slowdown in order book growth at Italian constructors. New orders rose for the sixteenth month running, amid reports of strong demand conditions driven in turn by the government superbonus scheme. That said, albeit robust by historical standards, the rate of expansion was the slowest in the



Comment

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

"Italy's construction sector registered a noticeably weaker upturn during May, with the latest expansion in business activity the slowest in the current 16-month sequence. Similarly, order book volumes increased again, with growth robust by historical standards but the softest in the current sequence, hinting that demand may be peaking."

"Some positive news came from cost burdens, with the rate of inflation continuing to retreat from recent peaks. That said, the latest rise in input costs was still rapid by historical standards."

"Concerns around the outlook picked up in May, with panellists noting worries surrounding the war in Ukraine, material shortages and inflationary pressures. The level of positive sentiment was the weakest since December 2020."

"Although the sector remains firmly on a growth footing in May, weaker growth rates are a concern and ongoing headwinds from rising prices, material shortages and supply delays combined with weak demand suggest that further challenges lay ahead unless these are alleviated."

PMI®

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current sequence.

Nonetheless, constructors continued to expand their staffing levels in May, as has been the case in each month since February 2021. The rate of job creation was the slowest for 10 months, but still solid overall. Firms also registered a further, but slower, rise in their subcontractor usage in May.

Companies also recorded a further upturn in buying activity during May. The pace of increase was the weakest since last July, but marked nonetheless.

Meanwhile, average lead times for inputs continued to lengthen in May. Respondents often attributed delays to shortages of materials. However, the extent to which lead times lengthened was the smallest for over a year.

Material shortages were also cited as a key risk to the year-ahead outlook for output in May, alongside the war in Ukraine and inflationary pressures. Moreover, the level of positive sentiment dipped to the weakest since December 2020.

Some positive news came with respect to input prices midway through the second quarter. Cost burdens continued to rise rapidly, linked by panellists to greater material costs, shortages, higher wages and energy bills and the war in Ukraine. However, the rate of cost inflation retreated further from recent high's and was the slowest for over a year.

May data also pointed to a further near-record increase in subcontractor rates, as the availability of subcontractors continued to fall sharply.

- Housing Activity Index
- Commercial Activity Index
- Civil Engineering Index

sa, >50 = growth since previous month



Source: S&P Global.

Contact

Lewis Cooper
Economist
S&P Global Market Intelligence
T: +44-1491-461-019
lewis.cooper@spglobal.com

Joanna Vickers
Corporate Communications
S&P Global
T: +44207-260-2234
joanna.vickers@spglobal.com

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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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