

# News Release

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## S&P Global Italy Construction PMI®

### Construction activity nearly stalls in June as demand conditions deteriorate

#### Key findings

Total activity growth slows to just fractional pace

First fall in order book volumes since May 2020

Business confidence drops to 19-month low

Italy's construction sector showed clear signs of faltering growth during June, according to the latest PMI® data from S&P Global, as uncertainty towards the economic outlook weighed heavily on client confidence. Total activity growth was close to stalling, rising at the weakest pace in the current 17-month expansionary sequence and only fractionally overall, amid the first drop in inflows of new work since May 2020.

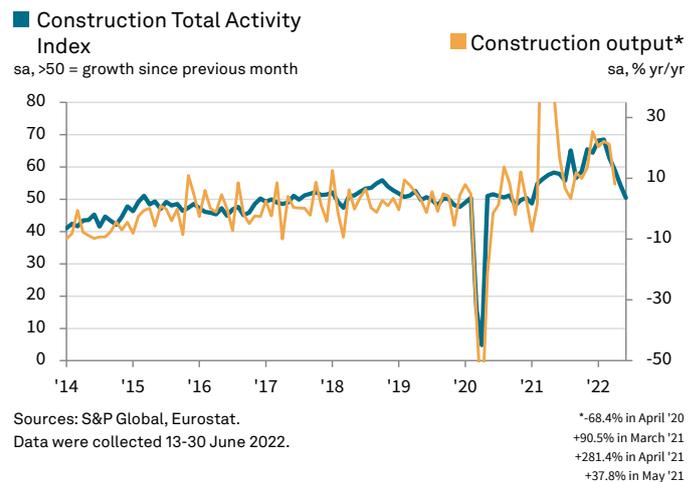
Additionally, firms registered a further moderation in business confidence during June, with sentiment the weakest for 19 months and falling below the historical series average.

The headline S&P Global Italy Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry activity – registered 50.4 in June, down sharply from 54.3 in May and only slightly above the neutral level of 50.0 to signal just a fractional pace of growth.

At the sector level, sustained, but slower, growth of commercial activity was weighed on by stagnating levels of residential construction and a quicker drop in civil engineering activity.

The weaker performance in June primarily reflected deteriorating demand conditions across the sector. Inflows of new work to Italian constructors fell for the first time since May 2020, amid reports that uncertainty towards the outlook had weighed on client confidence and subsequently, demand. Panellists also noted that issues transferring tax credits related to the superbonus scheme had stymied order book volumes. The pace of reduction was marginal overall, however.

Constructors themselves also recorded a weaker level of optimism towards the year-ahead outlook for activity in June. Sentiment was the lowest since November 2020 and subdued in the context of historical data. Panellists cited concerns around the near-term economic outlook, the war



#### Comment

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

"The Italian construction sector registered a sharply reduced pace of expansion during June, with activity growth near stalling to just a fractional pace overall. At the sector level, commercial remained the only bright spot, as residential construction activity stagnated, while civil engineering fell further into contraction territory.

"The weaker performance of the sector overall primarily reflected deteriorating demand conditions, as inflows of new work declined for the first time since May 2020, reportedly stymied by uncertainty among clients and in some cases, issues transferring tax credits related to the government superbonus scheme.

"Notably, concerns around the outlook were also reflected in a further dampening of sentiment at constructors towards activity over the next year. Business confidence sunk to a 19-month low, with survey respondents noting concerns around the economic outlook and geopolitical issues.

"Overall, although still just on a growth footing, reduced client demand and stalling growth of the residential sector – which had been a key driver of recent expansions – suggests that construction is likely to face ongoing challenges in the coming months. Unless demand can rebound, the sector is likely to remain on a precarious footing."

PMI®

by S&P Global

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in Ukraine, and issues related to tax credits as part of the government superbonus scheme.

Meanwhile, June data pointed to a further, but weaker, uplift in buying activity amongst Italian constructors. Purchasing rose at the softest pace in the current 17-month sequence of increase and only marginally overall. A weaker pipeline of new work had reportedly led some firms to pare back on input buying.

Nonetheless, average lead times for inputs continued to lengthen in June. Delays were attributed through anecdotal evidence to widespread material shortages. Albeit still severe, the extent to which lead times lengthened was the smallest since April 2021.

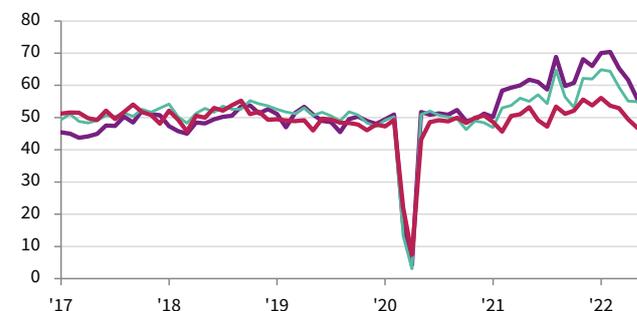
Some positive news came with regards to employment during June, as firms continued to take on additional staff. That said, the rate of job creation edged down to a 16-month low, with constructors also recording the first decrease in subcontractor usage since January 2021.

Elsewhere, average costs faced by Italian constructors continued to rise in June. Panellists cited shortages, rising energy, fuel and material costs and the war in Ukraine as drivers of input price inflation. Notably, the pace of increase eased to a 16-month low, but was still marked in the context of historical data.

Cost pressures also stemmed from subcontractor pay in June, as rates charged reportedly rose further, albeit at the softest pace in over a year.

- 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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