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IHS MARKIT ITALY CONSTRUCTION PMI®

Construction activity rises for third month in a row

KEY FINDINGS

Sustained rise in construction activity, albeit marginal

New orders increase at fastest pace since October 2019

Business confidence highest since March 2011

Data were collected 13-31 July 2020.

PMI data signalled a further increase in construction activity across Italy at the start of the third quarter, though the rate of growth was only marginal. At the same time, firms reported a back-to-back monthly increase in new work, with the pace of expansion picking up since June. However, firms remained relatively cautious towards employment and purchasing activity, with both declining slightly, as the coronavirus disease 2019 (COVID-19) pandemic continued to weigh on overall activity. Encouragingly, firms anticipate conditions to continue to recover over the next 12 months which, alongside the upcoming official ecobonus scheme, lifted business confidence to its highest since March 2011.

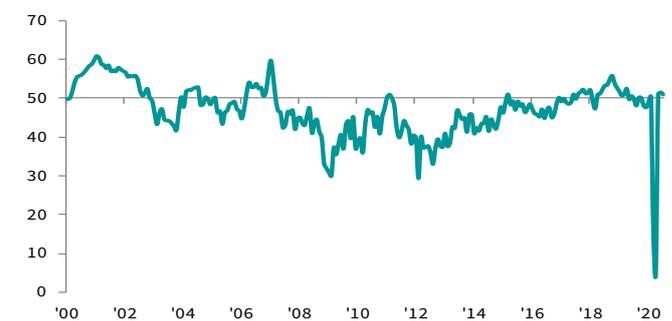
The headline figure from the survey is the IHS Markit Italy Construction Total Activity Index. This is a diffusion index that tracks changes in the total volume of construction activity compared with one month previously, and is adjusted for seasonal variations.

At 51.0 in July, the headline index fell from 51.6 in June, and signalled a third successive monthly increase in Italian construction activity. The rate of growth was only marginal, however, having eased from the previous month.

At the sector level, the strongest increase in activity was seen for housing construction. Commercial construction activity meanwhile expanded only slightly. In contrast, civil engineering activity continued to decline.

Driving the upturn in overall activity was a further gain in new work in July. Though modest, the rate of growth was

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



Source: IHS Markit.

the quickest seen since October 2019, and widely linked to firmer underlying demand conditions.

Firms were relatively cautious with staffing levels, however. After a marginal rise in June, employment fell modestly in July, with a number of firms commenting on the non-replacement of voluntary leavers.

Latest data also signalled a renewed fall in purchasing activity, which was often attributed to relatively subdued overall activity levels across the sector. At the same time, supplier shortages and logistical difficulties led to a further sharp increase in the time taken for inputs to be delivered to construction companies.

Construction businesses reported a further sharp rise in input costs in July, despite the rate of inflation easing from June. According to panel members, the increase was driven by greater prices for raw materials, PPE and transportation.

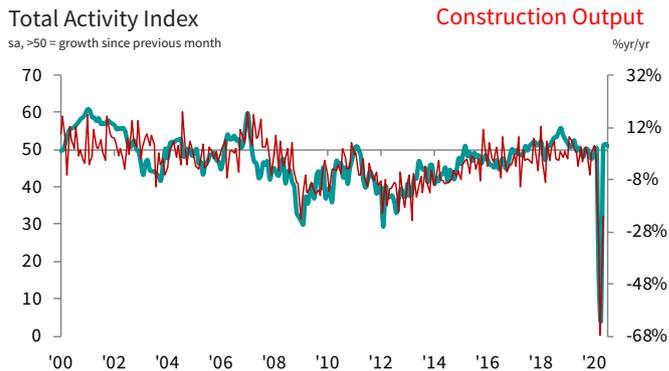
Looking ahead, Italian construction companies were strongly optimistic that activity would increase over the next 12 months. Furthermore, the degree of positive sentiment was the highest seen since March 2011. Companies anticipate that a further recovery in market conditions, alongside the government's ecobonus scheme, will boost activity.

COMMENT

Annabel Fiddes, Associate Director at IHS Markit, which compiles the survey:

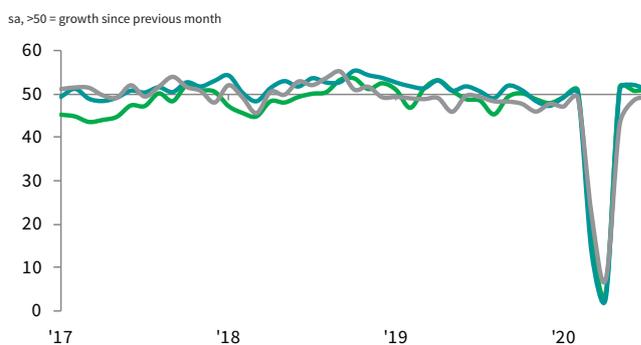
"Latest PMI data showed a further mild increase in Italian construction activity following the record fall in April, hinting that the sector continued to slowly recover from the COVID-19 induced downturn earlier in the year. However, firms remained cautious around any plans to ramp up capacity due to relatively subdued activity levels, leading to falls in employment and input buying.

"However, the outlook has brightened notably, with business confidence rising to the highest level since March 2011 amid hopes that market conditions will continue to recover over the next year. There were also a number of firms that were optimistic that the government's ecobonus scheme will give their business a boost over the coming months."



Sources: IHS Markit, ISTAT

Activity Index by construction category
Housing / Commercial / Civil Engineering



CONTACT

IHS Markit

Annabel Fiddes
Associate Director
T: +44-1491-461-010
annabel.fiddes@ihsmarkit.com

Katherine Smith
Public Relations
T: +1 781-301-9311
katherine.smith@ihsmarkit.com

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.

July data were collected 13-31 July 2020.

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

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