

News Release

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S&P Global Italy Construction PMI®

New orders down for fifth month running, but at reduced pace

Key findings

Activity falls despite renewed rise in housebuilding

Sustained, but softer falls in employment and purchasing

Business confidence moves higher

The Italian construction sector remained in contraction territory at the start of the final quarter of the year amid a sustained reduction in new orders. As such, firms continued to scale back their staffing levels, purchasing activity and use of subcontractors.

On a more positive note, business confidence showed further signs of improvement, while price and supply pressures eased over the month.

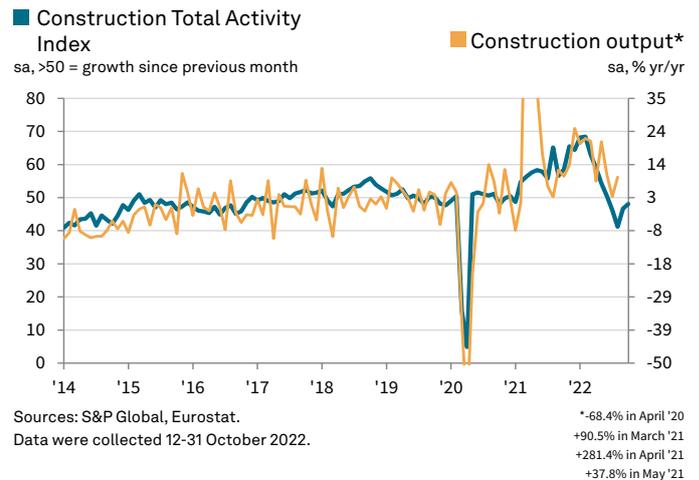
The headline S&P Global Italy Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry activity – posted below the 50.0 no-change mark for the fourth month running during October to signal a further monthly reduction in total activity at Italian constructors. That said, at 48.1, the latest reading was up from 46.7 in September and signalled a modest reduction in activity that was the softest in the current sequence of decline.

The reduction in total activity masked differing trends across the three monitored categories of construction. Activity on housing projects bucked the wider trend and increased marginally, thereby ending a three-month sequence of decline. Commercial activity decreased for the third time in the past four months, while civil engineering continued to contract, but to the weakest extent since April.

Anecdotal evidence pointed to a range of factors driving the overall reduction in construction activity. The closing down of sites and delays opening new ones, as well as issues with payments were mentioned by panellists.

Meanwhile, the postponement of client orders, the energy crisis, and economic and geopolitical uncertainty resulted in a fifth successive reduction in new business, although the decline was only modest and the softest since June.

In line with reductions in new orders and construction activity, companies reported declines in purchasing activity



Comment

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

"Although the Italian construction sector remained under pressure in October amid sustained demand weakness, price pressures and economic uncertainty, there were some tentative signs of improvement.

"Housing activity returned to growth, while the superbonus incentive scheme has helped drive optimism regarding workloads over the year ahead. Firms will therefore be hoping that the wider sector can return to expansion in the near future."

PMI®

by S&P Global

and employment at the start of the final quarter of the year, extending the respective sequences of contraction to four and three months. That said, in both cases the falls were less pronounced than seen in September.

Also softening in October were price and supply pressures. Input costs continued to increase sharply on the back of higher supplier charges, energy price volatility and the war in Ukraine, but the rate of inflation was among the slowest in the past year-and-a-half.

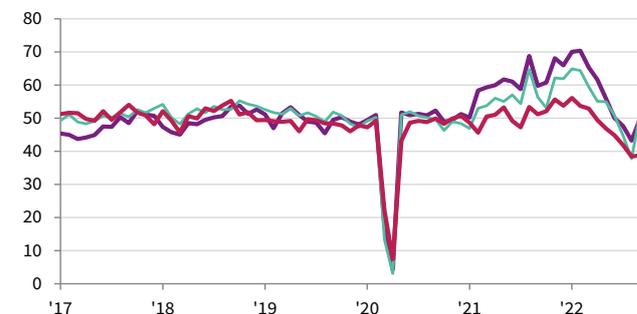
Meanwhile, suppliers' delivery times lengthened to a lesser degree than in September, but widespread delivery delays continued amid input shortages, transportation issues and the war in Ukraine.

As well as reducing their own staffing levels in October, construction firms also lowered their usage of subcontractors, the fifth month running in which that has been the case. Despite this, the availability of subcontractors continued to decline sharply, while the rates they charged rose at a rapid pace that was broadly in line with that seen in the previous survey period.

There were further signs of confidence returning to the Italian construction sector, with companies predicting a rise in activity over the coming year for the second month running. Sentiment was the highest since June but remained weaker than the series average. Those companies that were optimistic for the future often linked this to predictions of higher new orders, in turn sometimes due to the impact of the superbonus scheme.

- 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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