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IHS MARKIT ITALY CONSTRUCTION PMI®

Italian construction activity returns to growth in September

KEY FINDINGS

New order growth at five-month high

Input prices rise at fastest pace since May

Business confidence improves

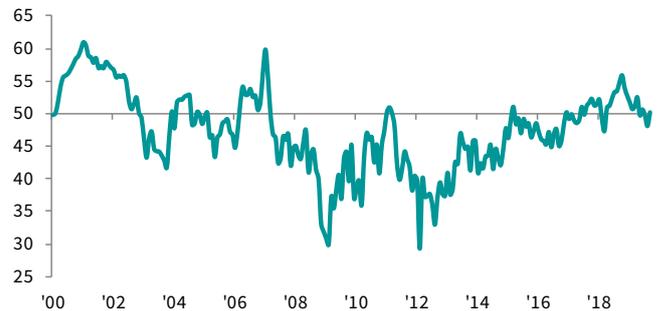
Italian construction activity returned to growth in September, amid the fastest increase in new business in five months. The renewed rise in activity led to a quicker upturn in job creation and a rebound in purchasing activity. On the price front, cost burdens rose at the most marked rate since May, driven by greater raw material costs.

Meanwhile, sentiment towards activity levels over the coming year improved from August's recent low, amid forecasts of greater customer demand.

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 50.2 in September, up from 48.1 in August, the index signalled a return to growth in Italian construction activity. Moreover, the rate of expansion compared favourably with the long-run series average of 47.6.

At the sub-sector level, commercial construction was the only monitored category to observe an increase in activity during September. Residential construction output declined further, albeit at the softest pace in four months. Meanwhile, civil engineering activity decreased for the tenth month running.

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



Underpinning the rise in overall activity was another upturn in new work during September. The rate of new order growth was solid and the fastest since April. Anecdotal evidence from panellists attributed the sustained rise in new orders to more fruitful marketing efforts which resulted in greater client acquisitions and an uptick in overall market activity.

In line with the stronger new order growth, construction firms accelerated their hiring efforts during September. The rate of job creation was modest and compared favourably with the long-run series average.

Purchasing activity among Italian construction companies returned to growth in September after two successive months of contraction. That said, the rate of expansion was only marginal. Anecdotal evidence indicated that input buying rose in response to greater customer demand.

On the price front, the rate of input cost inflation quickened during September to the fastest in four months. Greater cost burdens were linked to higher raw material costs (in particular oil and diesel).

Looking forward, Italian construction firms predicted an increase activity over the next 12 months in September. Moreover, the overall degree of confidence was higher than August's recent low, with positive sentiment attributed to expectations of greater customer demand.

COMMENT

Amritpal Virdee, Economist at IHS Markit, which compiles the survey:

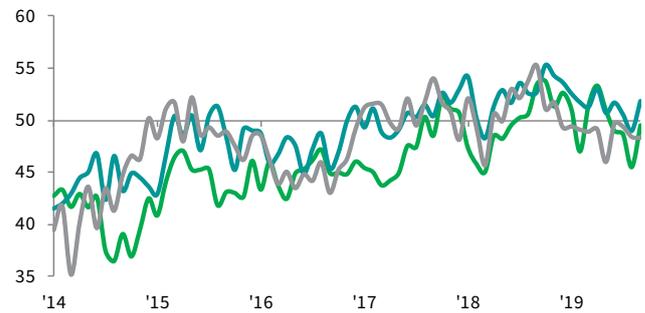
"The construction sector returned to growth in September, with a rebound in activity growth in the crucial commercial construction sector.

"Civil engineering was the worst performing area of the construction sector, with output in this category declining for the tenth month in a row. House building saw a further decrease, though the rate of contraction was the slowest in the current four-month sequence of decline.

"There are some encouraging takeaways from the latest survey, especially the faster rise in new orders and pick up in job creation. Survey respondents noted that they are confident about achieving output growth at their businesses over the coming 12 months, as the degree of optimism improved from August's 34-month low."

Activity Index by construction category Housing / Commercial / Civil Engineering

sa, >50 = growth since previous month



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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.

September 2019 data were collected 12-30 September 2019.

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

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