

Embargoed until 0930 CEST (0730 UTC) 6 April 2020

IHS MARKIT ITALY CONSTRUCTION PMI®

Construction activity falls at record pace amid COVID-19 lockdown

KEY FINDINGS

Activity and new orders fall at quickest rates in over 20 years

Steepest drop in employment since August 2012

Business confidence falls to lowest since global financial crisis

Company closures and restrictive measures to reduce the spread of the Coronavirus Disease 2019 (COVID-19) led to a record drop in construction activity in Italy during March. New orders and buying activity also fell at the steepest rates in the survey's two-decade history. Meanwhile, staffing levels declined at the quickest pace since mid-2012 as a lack of new work and an uncertain outlook led many companies to shed staff. Consequently, the business outlook darkened notably, with firms the most pessimistic regarding future activity since the depths of the global financial crisis in February 2009.

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.

The Total Activity Index fell nearly 35 points from 50.5 in February to 15.9 in March, to signal a renewed decline in overall construction activity. Furthermore, the rate of contraction was substantial and the quickest seen since the survey began in July 1999.

All three monitored sub-sectors registered record drops in activity at the end of the first quarter, with commercial construction recording the lowest index reading of all three.

After a tentative improvement in February, new business volumes collapsed in March, as firms reported widespread shutdowns across Italy due to efforts to stop the spread of

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



Source: IHS Markit.

COVID-19. As was the case for overall activity, the pace of decline was the sharpest in the series two-decade history.

Lower activity and new orders prompted construction firms to cut back on their input buying following a slight increase in February. Moreover, the rate of contraction was the steepest on record. A lack of new work and greater uncertainty over the outlook led to redundancies, according to panel members. Employment fell sharply across the sector overall, with the rate of job shedding the quickest seen since August 2012.

Company shutdowns and measures to limit travel due to the virus led to a further lengthening of average delivery times for inputs. Notably, the rate at which vendor performance deteriorated was the most marked since the survey began over 20 years ago.

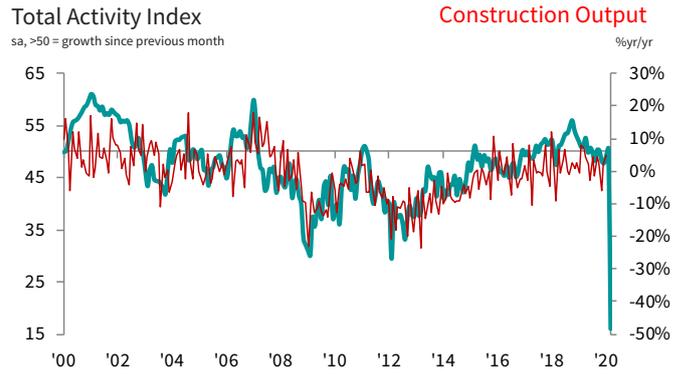
Prices data showed that input cost inflation eased, with purchasing costs rising at the slowest rate for seven months. Survey respondents noted that softer demand conditions had weighed on the pricing power of suppliers.

The COVID-19 pandemic and the subsequent severe disruption to Italy's economy led firms to generally expect construction activity to contract over the next year. Notably, the degree of negative sentiment was the most marked for just over 11 years.

COMMENT

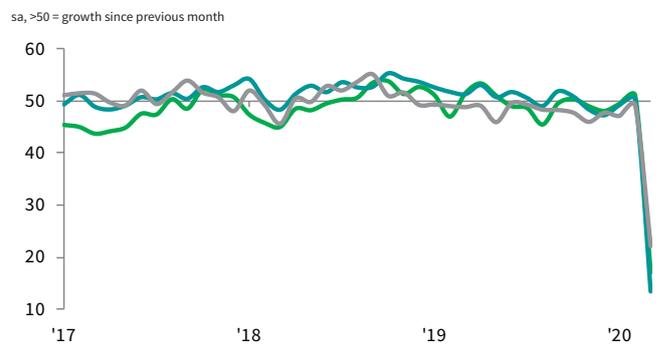
Annabel Fiddes, Associate Director at IHS Markit, which compiles the survey:

"Italy's economy is facing an extremely challenging time as the nation battles against the spread of the COVID-19 pandemic, and the construction sector was no exception to the rule. Activity, new orders and purchasing activity all fell at the sharpest rates in over 20 years of data collection during March as swathes of companies closed or ran at reduced capacity. As a result, firms cut back on their staff numbers at a rate not seen for nearly eight years, while expectations regarding future output turned the most negative since the global financial crisis. It seems likely that the sector will contract further in the months ahead as measures to restrict the spread of the virus could be in place for some time."



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.

March data were collected 12-31 March 2020.

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

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, click here.

About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

ihsmarkit.com/products/pmi.html