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IHS MARKIT ITALY CONSTRUCTION PMI®

Construction activity rises for the first time in four months

KEY FINDINGS

Overall construction activity increases slightly...

...amid renewed rise in new business

Business confidence improves to eight-month high

February survey data signalled a tentative recovery in conditions across Italy's construction sector. Total building activity rose slightly as new orders expanded for the first time in four months amid reports of firmer client demand. Employment also increased, albeit slightly, while greater activity also prompted a renewed upturn in input buying. Looking ahead, construction firms in Italy were generally confident that business activity would rise over the next year, with the level of positive sentiment improving to an eight-month high.

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 50.5 in February, the Total Activity Index was up from 49.0 in January to signal an increase in overall construction activity midway through the first quarter. Though only slight, it was the first time output had increased for four months, with the rate of growth the fastest since June 2019.

The upturn was supported by marginal increases in activity across the commercial and residential sectors. Meanwhile, civil engineering activity fell further in February, albeit at the softest rate for seven months.

After declining in each of the three prior months, total new orders placed with Italian construction firms also rose in

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



Source: IHS Markit.

February, albeit only slightly. A number of panel members cited firmer market conditions as a key driver of growth.

Increased activity and new orders led to the first expansion of input buying for four months. Reflective of the trend for new business, however, the rate of increase was only marginal. At the same time, reports of greater strain on supply chains, which partly stemmed from the recent coronavirus outbreak in China, resulted in a further deterioration in vendor performance. Average lead times lengthened to the greatest extent for six months.

Companies added to their payroll numbers in February, which marked the first increase in employment across the construction sector since November last year. The rate of job creation was mild, however, and slower than the average seen over 2019.

Construction firms were strongly confident that activity would increase over the next year, with overall optimism at its highest since June 2019. Growth forecasts were often linked to expectations of firmer demand conditions and greater amounts of client requests.

The usage of sub-contractors rose solidly during February, with the rate of growth the quickest since 2010. At the same time, the quality of sub-contractor work improved for the first time since late-2016. Rates charged by sub-contractors meanwhile rose only slightly amid a weaker drop in their overall availability.

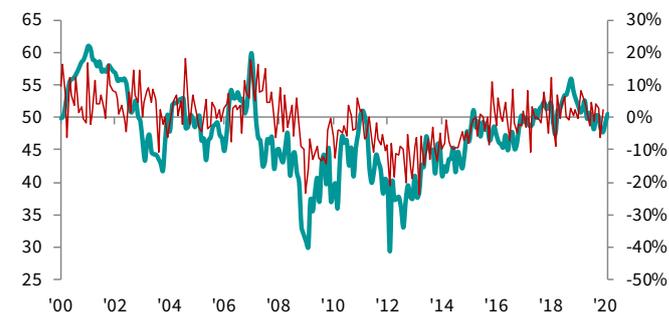
COMMENT

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

"Latest PMI data showed a tentative recovery of Italy's construction sector, with firms signalling renewed expansions of overall activity, new orders and employment. However, rates of growth were marginal in each case, suggesting that construction firms and their clients were still relatively cautious. At the same time, the recent coronavirus outbreak in China added more pressure to supply chains, with delivery times for inputs increasing solidly, which may also affect the ability to carry out work in the months ahead."

Total Activity Index

sa, >50 = growth since previous month

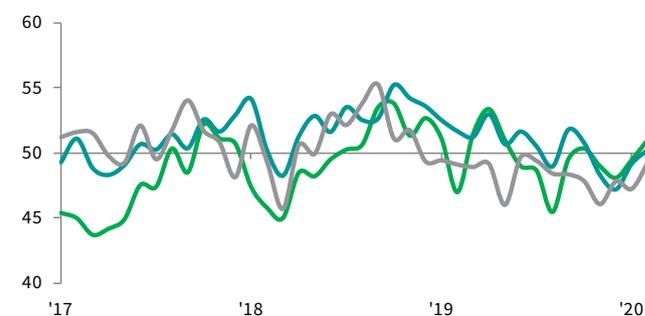


Sources: IHS Markit, ISTAT

Activity Index by construction category

Housing / Commercial / Civil Engineering

sa, >50 = growth since previous month



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.

February data were collected 12-28 February 2020.

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

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