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IHS MARKIT ITALY CONSTRUCTION PMI®

Activity growth in the Italian construction sector sustained during February

KEY FINDINGS

New business growth at 11-month low

Employment increases at fastest pace since March 2007

Business confidence at four-month high

February's data indicated a further expansion in total activity across the Italian construction sector. The pace of growth slowed from January to the weakest in the current 11-month sequence of expansion. Moreover, new order growth eased to an 11-month low in February, amid softer demand conditions, particularly from overseas customers. In spite of the slower rise in activity, employment growth increased at the fastest pace since March 2007, as a result of continued customer demand.

Meanwhile, expectations of a recovery of the Italian economy drove positive sentiment among panellists to the highest in four months.

At 50.7 in February, down from 51.8 in January, the seasonally adjusted IHS Markit/Italy Construction Purchasing Managers' Index® (PMI®) signalled the weakest expansion of Italian construction activity in the current 11-month sequence of growth.

The marginal overall expansion was centred on commercial activity which increased for the fifth successive month. Meanwhile, civil engineering recorded its third successive reduction in activity, with the latest fall the most marked since March 2018. The fall in housing activity was solid in February, and the fastest for 11 months.

The weaker rise in overall activity was linked to a softer rate of new order growth. The pace of expansion slowed from the start of 2019 to weakest since March 2018. This was attributed by some panellists to softer economic conditions, particularly in overseas markets.

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



Despite weaker upturns in activity and new orders, Italian construction firms increased their workforce numbers at a solid pace during February. Rebounding from a decline seen at the start of 2019, the rate of job creation was the fastest since March 2007. Anecdotal evidence indicated that greater workforce numbers stemmed from increased customer demand.

Purchasing activity growth across the Italian construction sector eased for the second consecutive month during February. The rate of expansion was modest and the slowest in 11 months, as some panellists stated that they had decreased buying levels in response to fewer customer orders.

Amid widespread reports of greater raw material prices, input cost inflation increased sharply during February, with the rate of inflation quickening from the start of 2019 to an eight-month high.

Meanwhile, average lead times lengthened again in February, though the rate of deterioration was the least marked in five months. Vendors reportedly had reduced availability of warehouse space and run out of stock of key items during the month.

Finally, business confidence increased during February to the highest in four months. Nearly 33% of survey respondents are anticipating output growth over the coming 12 months. Expectations of a rebound in Italian economic growth and predictions of a further rise in new orders were cited as reasons to be optimistic.

COMMENT

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

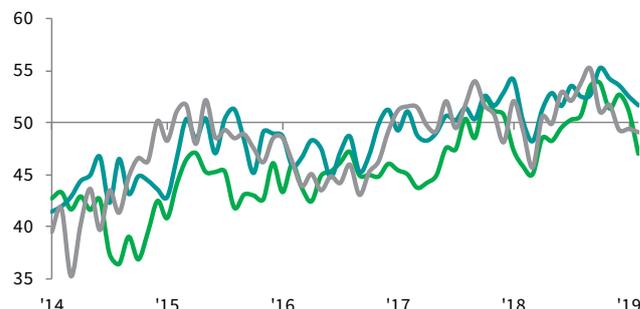
"Italian construction growth shifted down a gear during February, with weaker conditions signalled across all three main categories of activity. Residential and civil engineering activity declined as slowing new order growth continued to hold back activity. Moreover, the only monitored sector to expand, commercial construction activity, grew at the slowest rate since June 2018.

"A brightspot, however, was found in job creation which bounced back from a fall in January to register its fastest expansion since March 2007.

"Business expectations for the year ahead ticked-up to a four-month high and were strongly positive. Expectations of a pick up in Italian economic growth and greater customer demand were the principal factors behind increased optimism."

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.

February 2019 data were collected 12-28 February 2019.

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

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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. To learn more go to [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).