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IHS MARKIT ITALY CONSTRUCTION PMI®

New order growth at ten-month high

KEY FINDINGS

Fractional increase in total construction activity

Employment growth at three-month high

Business confidence lowest since September 2016

Italian construction firms recorded the fastest increase in new business in ten months during October, driving companies to take on additional staff at the quickest pace since July. Despite this, total construction activity increased only fractionally and at a slower pace than in September.

Meanwhile, amid concerns over political uncertainty, business confidence eased to the lowest since September 2016.

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 50.1 in October, down from 50.2 in September, the index signalled the second successive monthly increase in Italian construction activity. However, the rate of expansion was slight and only fractionally above the 50.0 no-change threshold.

At the sector level, commercial construction activity increased at the fastest rate of the three monitored sectors during October. Meanwhile, civil engineering activity contracted for the eleventh month running and at the fastest pace since May. Activity in the residential sector returned to growth in October after declining for four consecutive months.

Underpinning the slight rise in overall activity was a gain in new work during October. Moreover, the rate of expansion

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



Source: IHS Markit

was solid and quickened to the fastest in ten months. Anecdotal evidence from panellists indicated that the uptick in demand levels was due to client acquisitions.

In line with a faster expansion in new business, Italian construction firms increased their workforce numbers at the fastest pace in three months during October. Anecdotal evidence from panellists suggested that they had raised employment in line with stronger customer demand levels.

Purchasing activity among Italian construction firms increased for the second consecutive month during October. That said, the rate of expansion was only fractional and slowed from September, amid reports from some panellists that they were running down their stocks.

On the price front, the rate of input cost inflation dipped slightly from September's four-month high. Panellists stated that greater raw material prices were a principal factor behind the latest increase in cost burdens.

Looking forward, Italian construction firms predicted an increase in business activity over the next 12 months in October. That said, the overall degree of optimism was subdued and ticked down to a 37-month low, amid concerns over political uncertainty. Among the factors expected to support growth of activity were greater customer demand and more favourable economic conditions.

COMMENT

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

"October's construction PMI data for Italy showed a mixed bag in terms of the health of one of the key economic sectors. Despite rising for the second month in a row, rates of activity growth and input buying were only fractional and slower than in September."

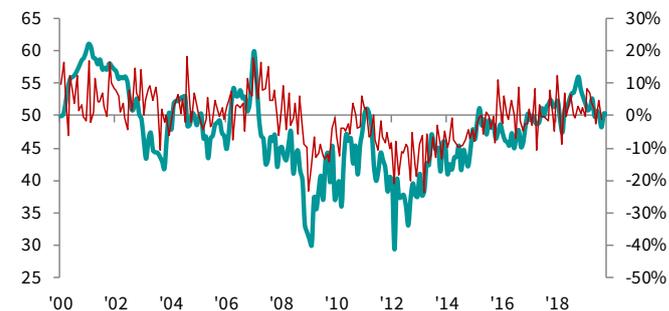
"Meanwhile, inflows of new business increased at the fastest pace in ten months, in turn driving construction companies to take on additional staff at the sharpest rate since July."

"Although civil engineering output fell further, there were some bright spots in October's sub-sector data, with a welcome return to growth of residential construction activity."

"Despite the positive news, the survey's only forward-looking indicator signalled a potential weakening of trading conditions in the near term, optimism towards output over the coming year the dipped to the weakest since September 2016."

Total Activity Index

sa, >50 = growth since previous month



Sources: IHS Markit, ISTAT

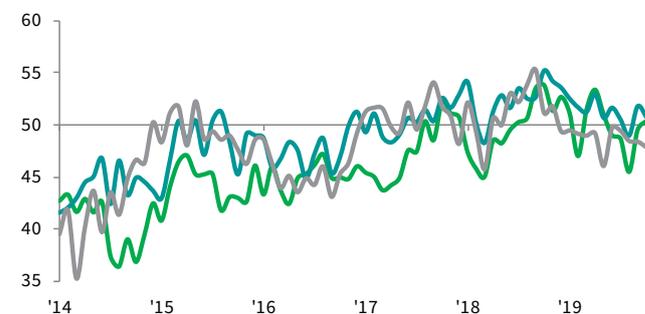
Construction Output

%yr/yr

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.

October 2019 data were collected 11-31 October 2019.

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

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