

## IHS Markit Italy Construction PMI®

### Italian construction sector continues to recover in June

#### Key findings

Total activity rises sharply again amid near-record upturn in new work

Rate of job creation quickens to three-month high

Input price inflation strongest on record as delivery delays intensify

Data were collected 11-30 June 2021.

The Italian construction sector continued on its recovery path at the end of the second quarter, according to the latest PMI® data from IHS Markit. Output rose sharply again amid a near-record expansion in new orders, with panellists citing government tax relief schemes, looser COVID-19 restrictions and improved client confidence. As a result, firms again took on additional staff in June.

Supply disruption worsened further, however, adding to inflationary woes amid widespread reports of material shortages.

Adjusted for seasonality, the headline IHS Markit Italy Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry output – posted 57.9 in June, down only slightly from May's 14-year high of 58.3 and signalling another rapid upturn in construction activity. Over the second quarter as a whole, the average reading for the index, at 57.9, was the highest seen since the second quarter of 2001.

At the sector level, near-record rates of growth in both housing and commercial activity were partially offset by a renewed decline in the civil engineering sub-sector.

June data also pointed to a further strengthening of client demand, as inflows of new work increased for the fifth month in a row and at the fastest pace for over 20 years. According to panellists, the eco- and super-bonus schemes and looser lockdown measures had boosted order books.

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Italy Construction PMI Total Activity Index  
sa, >50 = improvement since previous month



Source: IHS Markit.

#### Comment

Commenting on the latest survey results, Lewis Cooper, Economist at IHS Markit, said:

*"Italy's construction sector continued on its recovery path in June with another sharp expansion of business activity, driven by near record growth of new work as looser lockdown restrictions, government tax relief schemes and improved market confidence boosted demand."*

*"As a result, firms took on additional staff at an accelerated pace, with job creation the strongest for three months."*

*"The sustained rebound again brought with it stronger inflationary pressures and supply disruptions at the end of the second quarter, however. Average delivery times lengthened to a near-record degree, with the severity of delays second only to April 2020, amid widespread reports of material shortages. This resulted in price hikes at suppliers and greater material costs, according to anecdotal evidence, which was reflected in the steepest rise in input costs on record during June."*

*"Although inflationary woes and supply constraints remain a key concern for the sector, firms were highly confident of activity growth over the next year. The eco- and super-bonus schemes were again frequently cited as drivers of optimism, and indeed if demand remains strong, the sector should continue to see growth over the course of the third quarter."*

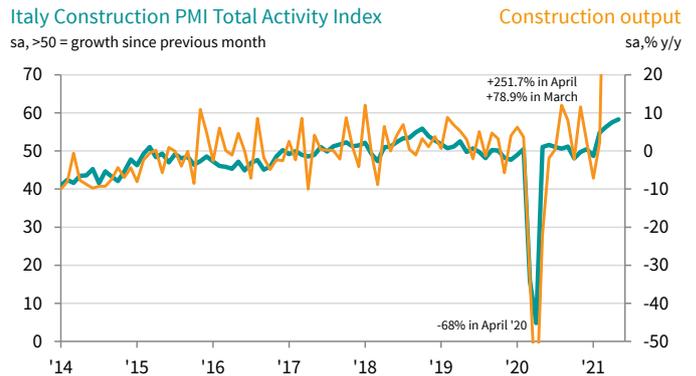
Meanwhile, firms continued to take on additional staff in June, extending the current sequence of job creation that began in February. The rate of increase in employment was the quickest since March and solid overall. Anecdotal evidence attributed the latest round of job creation to stronger demand conditions. Companies also recorded another upturn in sub-contractor usage during June.

Greater activity requirements also led firms to again raise their purchasing activity in June. The rate of increase remained sharp, despite slowing since May.

Subsequently, average lead times for inputs lengthened further at the end of the second quarter, amid widespread reports of material shortages. Delays were the second-most severe on record, behind only April 2020.

Supply disruptions again contributed to inflationary pressures during June, as input prices rose again. Anecdotal evidence attributed the latest increase to greater material costs and price hikes at suppliers. Moreover, the rate of inflation hit a fresh survey record. Subcontractors also upped their rates at a unprecedented pace during June.

Looking ahead, Italian constructors remained optimistic of higher activity in the coming 12 months, with the level of positive sentiment little-changed from May's near 20-year high. Anecdotal evidence attributed confidence to the government tax relief schemes, surging sales and hopes of a sustained recovery in the sector as COVID-19 restrictions are loosened.



Sources: IHS Markit, Eurostat.

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### Survey 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 150 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.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### Survey dates and history

June data were collected 11-30 June 2021.

Survey data were first collected July 1999.

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