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IHS MARKIT ITALY CONSTRUCTION PMI®

Construction activity growth weakest since May 2018

KEY FINDINGS

New business rises at slowest pace in six months

Employment falls for first time since April 2018

Business confidence at five-month low

IHS Markit has been conducting PMI surveys of the construction sector in Italy since 1999, using the same methodology as the closely-watched manufacturing and services surveys. We are now making the findings available in a press release which will be published on the fourth working day of each month going forward. The survey covers a range of variables specific to the construction sector including construction activity, new business, employment, input costs and sub-contractor trends.

The latest findings showed that growth of construction activity in Italy eased to its slowest since May 2018 during January. The rate of expansion was modest with weaker growth recorded in the commercial and residential sectors and a further decline posted in the civil engineering category. New business rose at the slowest rate in six months amid softer demand conditions. Meanwhile, business confidence waned to a five-month low.

At 51.8 in January, down from 52.8 in December, the seasonally adjusted IHS Markit/Italy Construction Purchasing Managers' Index® (PMI®) signalled the weakest expansion of Italian construction activity since May 2018. That said, January's reading marked the tenth consecutive monthly increase in activity.

At the sector level, commercial construction activity increased at the fastest rate of all three broad sectors for the fourth successive month. Meanwhile, civil engineering activity contracted for the second month running, though at a softer pace than in December. Activity in the residential sector increased modestly at the start of 2019, with the rate of growth eased to a five-month low.

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



Underpinning the rise in overall activity was a gain in new work at the start of 2019. That said, the rate of expansion was modest and the slowest in six months. Anecdotal evidence from panellists indicated that they had seen an overall softening of demand during January.

In line with the weaker readings for activity and new orders, Italian construction firms reduced their workforce numbers for the first time since April 2018 in January. Anecdotal evidence from panellists suggested that the non-replacement of retirees and the end of temporary contracts contributed to lower employment levels.

The rate of expansion in purchasing activity slowed notably from December, when input buying had risen at the joint-fastest pace since February 2007. The rate of growth eased to a joint eight-month low, amid reports of slower increases in construction activity and softer customer demand.

On the price front, the rate of input price inflation eased during January to the slowest in one year. Rising raw material costs (in particular concrete) were stated by panellists as the principal factor behind increasing cost burdens.

Sub-contractor usage decreased for the second month running in January. Despite this, their availability declined modestly, following a rise in December.

Looking forward, Italian construction firms predicted an increase in business activity over the next 12 months. That said, business confidence eased to a five-month low. Among the factors expected to support growth of activity were greater customer demand and a recovery of overseas markets.

COMMENT

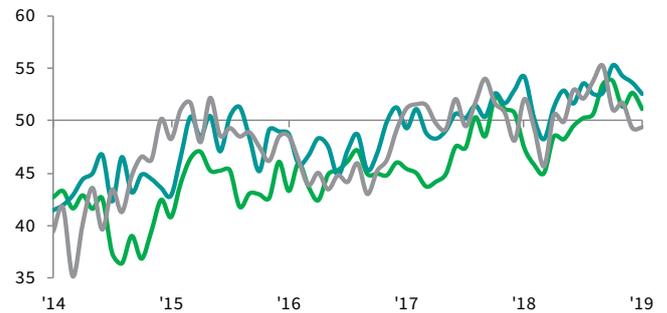
Amritpal Virdee, Economist at IHS Markit, which compiles the survey:

"The start of 2019 saw a broad-based slowdown across the Italian construction sector, with PMI data showing weaker growth in output and new orders. Notably, Italian construction firms failed to add to their payrolls for the first time since April 2018.

"The latest construction data, coupled with the weaker manufacturing and services PMI readings show that Italy is on a negative economic trend. Indeed as recent GDP figures show, Italy is currently in a technical recession. As such the recent PMI data do not bode well for the Italian government's attempts to stimulate economic growth."

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.

January 2019 data were collected 11-31 January 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).