

Embargoed until 0930 CEST (0730 UTC) 4 September 2020

IHS MARKIT ITALY CONSTRUCTION PMI®

Marginal rise in construction activity during August

KEY FINDINGS

Softer increases in activity and new orders

Employment falls at quicker rate

Operating costs rise at fastest pace since February 2019

Data were collected 12-28 August 2020.

August data signalled a softer expansion of Italy's construction sector, with firms recording the slowest increase in activity for four months. At the same time, the rate of new order growth eased to a marginal pace. Although strong overall, business confidence weakened to a three-month low amid concerns over the ongoing coronavirus disease 2019 (COVID-19) pandemic. Employment meanwhile declined for the second month in a row as firms maintained a cautious approach to hiring. Notably, firms faced a further sharp increase in operating expenses, with the rate of inflation accelerating to an 18-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.

The headline index edged down from 51.0 in July to 50.6 in August, to signal a further increase in construction activity across Italy. That said, the rate of growth was the weakest in the current four-month sequence of expansion and only slight.

Sector data indicated that the upturn in overall activity was supported by marginal increases in residential and commercial construction activity. However, civil engineering activity continued to decline in August, and at a quicker rate than in July.

The amount of new work received by Italian construction

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



Source: IHS Markit.

companies rose for the third successive month in August. As was the case for activity, however, the rate of growth was only slight. Higher sales were linked to firmer demand conditions and the government's ecobonus scheme, although there were still reports that the pandemic continued to weigh on new business volumes.

After falling in July, Italian construction businesses raised their purchasing activity in August. The rate of growth was modest overall, and largely linked to the sustained increase in new orders and reopening of sites.

Firms maintained a cautious approach to staffing levels, with headcounts falling for the second month in a row and at a quicker rate. Panel members often linked lower payrolls to the non-replacement of voluntary leavers.

At the same time, construction companies saw a sharp increase in average input costs midway through the third quarter. Notably, the rate of inflation was the quickest seen for a year-and-a-half amid reports of higher raw material and transportation costs.

Although businesses were generally confident that construction activity would increase over the next year, concerns around the length and severity of the ongoing pandemic weighed on overall optimism. Though still strong, the degree of positive sentiment slipped to a three-month low in August. Nonetheless, the government's ecobonus scheme remained a key source of optimism.

COMMENT

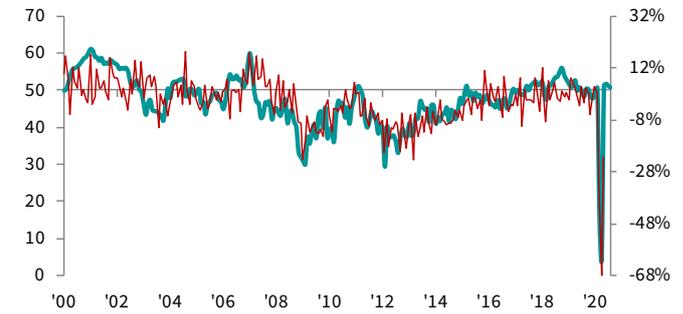
Annabel Fiddes, Associate Director at IHS Markit, which compiles the survey:

"Italy's construction sector expanded only slightly in August, with firms signalling softer rises in both activity and new work midway through the third quarter. Companies continued to report relatively subdued demand conditions and appetite for projects due to the ongoing COVID-19 pandemic and prevailing economic uncertainty. Consequently, business confidence weakened slightly in August, while firms continued to trim their staff numbers in the face of sharply rising costs."

"Nonetheless, the government's ecobonus scheme remains a key source of optimism going forward and is expected to help support growth in the months ahead."

Total Activity Index

sa, >50 = growth since previous month

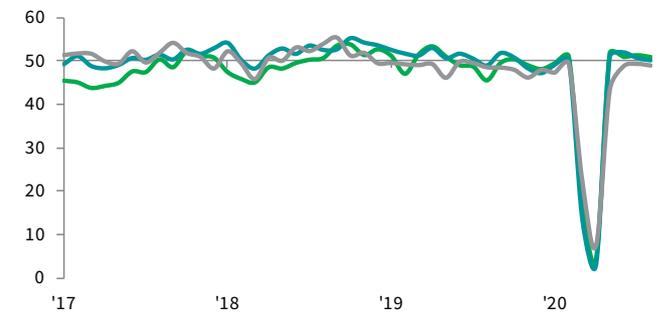


Sources: IHS Markit, ISTAT

Activity Index by construction category

Housing / Commercial / Civil Engineering

sa, >50 = growth since previous month



CONTACT

IHS Markit

Annabel Fiddes
Economics 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.

August data were collected 12-28 August 2020.

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

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, click here.

About PMI

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.

ihsmarkit.com/products/pmi.html