

IHS Markit Italy Construction PMI®

Italian construction sector sees quicker growth during May

Key findings

Quickest upturn in construction activity since January 2007

Strongest increase in total new work for over 20 years

Cost pressures hit fresh record as supply delays worsen

Data were collected 12-28 May 2021.

Latest PMI® data from IHS Markit pointed to another strong performance of the Italian construction sector during May. Total activity rose at the fastest rate since January 2007, amid the strongest improvement in demand conditions for over two decades. Worsening supply disruption fed through to prices, however, as the rate of cost inflation hit a fresh series peak.

Adjusted for seasonality, the headline IHS Markit Italy Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry output – rose from 57.6 in April to 58.3 in May, signalling a fourth straight monthly increase in Italian construction activity, with growth the fastest for over 14 years.

The upturn remained broad-based across the three monitored sub-sectors, and was again led by the residential segment which saw a record rate of increase in May, followed by commercial.

Key to the stronger overall expansion in May was a further rise in the level of new work at Italian constructors. The latest upturn in orders was the fastest since March 2001 and rapid overall, with panellists noting that government tax bonus schemes and greater client confidence had boosted demand.

Subsequently, companies upped their purchasing activity again midway through the second quarter. The latest increase was the fastest for nearly 14-and-a-half years.

Stronger demand for inputs led to worsening supply disruptions in May, however. Delivery times lengthened to

continued...

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:

"May PMI data pointed to a sustained rebound in the Italian construction sector. Overall activity increased at the fastest rate since January 2007, as inflows of new work rose at the steepest pace for over 20 years.

"The housing sector continued to lead the recovery, posting another record upturn in output, although growth remained broad based across the three monitored sectors.

"Of real concern in May was a more marked deterioration in vendor performance, as supply chains continue to struggle amid strong demand and material shortages. This fed through to another uptick in input prices, with the rate of cost inflation reaching a fresh series record.

"That said, confidence among Italian construction firms remained solid, and sentiment was the strongest for nearly 20 years. The government tax relief schemes were again cited as a principal driver of optimism, with companies hopeful the upturn in demand will be sustained over the coming 12 months."

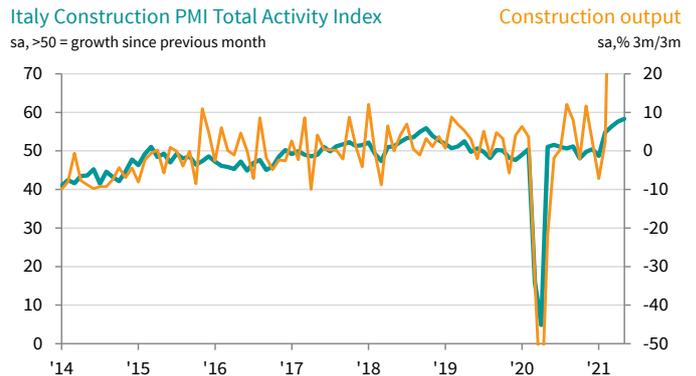
the greatest degree since the peak of the initial COVID-19 shutdowns in April 2020, amid widespread reports of material shortages.

A lack of available materials meanwhile contributed to another round of cost inflation in May. The respective seasonally adjusted index climbed to a fresh series record and signalled a rapid increase in input prices.

Nonetheless, greater activity requirements led firms to again take on additional staff during May. Employment rose for the fourth month running, with the rate of job creation remaining moderate overall.

May data also pointed to stronger demand for sub-contractors in the Italian construction sector. Sub-contractor usage rose again, with the rate of increase the quickest seen since late-2010 and solid. As a result, the availability of sub-contractors fell for the eleventh month running and at the third-fastest pace on record. A shrinking pool of subcontractors was also reflected in the strongest upturn in rates charged on record during May, while the quality of work undertaken was adjudged to have declined again.

Looking ahead, Italian constructors signalled a robust outlook for activity over the coming year during May. Optimism was attributed to firmer demand, the government ecobonus and superbonus schemes and hopes of a sustained rebound in the sector. Moreover, the level of positive sentiment was the strongest since August 2001.



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.

Survey dates and history

May data were collected 12-28 May 2021.

Survey data were first collected July 1999.

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