

IHS Markit Italy Construction PMI®

Construction sector sees record rate of growth during August

Key findings

Total construction activity rises at unprecedented pace...

... with record expansions recorded in two of three monitored sub-sectors

Fastest upturn in new work since survey began in 1999

Data were collected 12-31 August 2021.

The Italian construction sector recorded unprecedented growth during August, according to the latest PMI® data from IHS Markit. Total activity rose at a pace unseen in the survey's 22-year history amid a record expansion of order books.

Adjusted for seasonality, the headline IHS Markit Italy Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry output – posted 65.2 in August, rising sharply from July's reading of 55.8. The latest figure signalled a seventh consecutive monthly expansion in Italian construction activity, with the rate of growth the fastest seen since data collection began in July 1999.

At the sector level, the expansion was broad-based. Housing and commercial activity increased at the fastest rates in the respective series histories, while civil engineering activity rebounded, following a two-month sequence of decline, with the expansion the fastest for nearly three years.

Central to the overall upturn in the sector was a further surge in new orders at construction firms during August. Panellists attributed the latest rise in sales to the government eco- and super-bonus schemes, as well as looser COVID-19 restrictions. Moreover, the rate of expansion in order book volumes was the fastest on record and rapid overall.

Subsequently, Italian constructors continued to raise their buying activity in August, extending the current sequence of greater purchasing which began in February. Notably, the

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:

"Italy's construction sector recorded a stellar performance during August. Total activity rose at an unprecedented pace, with record rates of growth seen in both the housing and commercial sub-sectors.

"Client demand continued to surge, with firms citing the government super- and eco-bonus schemes as well as looser lockdown restrictions. The latest expansion in new orders was the most marked on record. As a result, companies took on additional staff at an accelerated pace.

"Concerns surrounding supply chains and costs remained, however, as lead times for inputs lengthened sharply and the rate of cost inflation reaccelerated to the second-fastest on record, amid reports of material shortages and higher commodity prices.

"Nonetheless, Italian construction firms remain highly optimistic towards activity over the next year, and with the latest PMI data pointing to a record rate of growth across the sector, we are yet to see signs of any slowdown."

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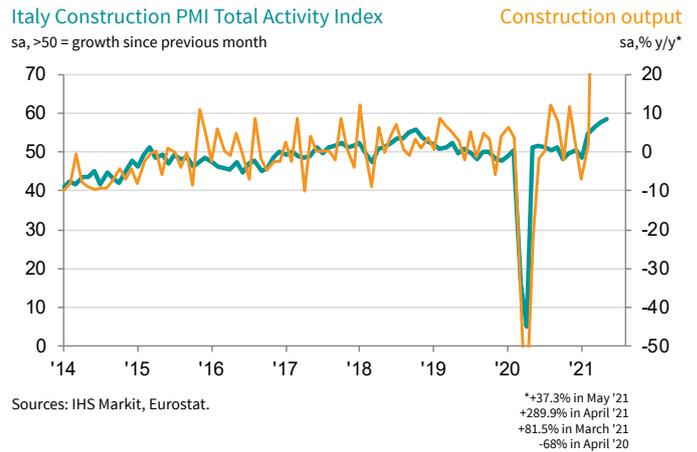
Supply chain disruption continued into August, however. Average lead times for inputs lengthened sharply, amid widespread reports of material shortages, although delays were the least severe since April.

Material shortages meanwhile led to a further round of input price inflation during August. Costs rose at the second-fastest pace on record, behind only June, and rapidly overall, with respondents widely citing higher commodity and material costs.

In line with greater activity requirements, Italian construction firms took on additional staff for the seventh month in a row in August. The rate of job creation was the fastest since early-2002 and sharp overall.

Companies also raised their usage of sub-contractors at the fastest rate since January 2001 during August. As a result, the availability of sub-contractors fell steeply, while rates charged by subcontractors rose at a pace unseen in the series 22-year history, and one that was rapid overall.

Looking ahead, Italian constructors remained highly optimistic towards activity over the next 12 months. Government tax relief schemes, strong demand conditions and looser COVID-19 restrictions were all cited by panellists as reasons to be confident in August. The level of sentiment remained historically elevated, despite moderating to the lowest since March.



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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

August data were collected 12-31 August 2021.

Survey data were first collected July 1999.

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