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IHS Markit Italy Construction PMI®

Construction activity surges further in December

Key findings

Near-record growth of business activity and new work

Business confidence ticks up to three-month high

Rate of input price inflation unchanged from November's record

Data were collected 06-23 December 2021.

The Italian construction sector saw a further surge in activity during December, according to the latest PMI® data from IHS Markit. Business activity rose rapidly again, with growth easing only from November's peak, amid a near-record rate of increase in new business. Confidence towards activity over the next year meanwhile improved to a three-month high. Elsewhere, price pressures remained unprecedented due to ongoing supply issues.

Adjusted for seasonality, the headline IHS Markit Italy Construction Purchasing Managers' Index® (PMI®) – which measures month-on-month changes in total industry output – fell only slightly from November's all-time high of 65.5, posting 64.4 in December. This signalled an eleventh straight monthly upturn in Italian construction activity, with growth the third-fastest on record and rapid.

Moreover, each of the three monitored sectors saw a sustained rise in activity during December, with residential posting the strongest rate of expansion. That said, there was a broad-based easing of growth momentum across the three sectors.

Key to the latest overall upturn was further strong growth of new work at the end of the year, amid reports that the government super- and eco-bonus schemes had boosted client demand. The rate of expansion in new business eased only slightly on the month and remained amongst the steepest on record.

At the same time, constructors continued to expand their

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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:

"The final month of 2021 saw Italy's construction sector continue on its growth path, with the rate of expansion in business activity easing only slightly from November's all-time high. Demand conditions remained strong, boosted by the government tax relief schemes, with a near-record expansion in new work."

"Price pressures remained severe, however, as the rate of cost inflation held at November's peak amid reports of shortages, price hikes at suppliers and greater transport costs."

"Nonetheless, business confidence hit a three-month high as Italian constructors remain optimistic of higher activity over the next 12 months. Indeed, given the stellar performance in December, the sector looks set for further bumper growth in the opening months of 2022, with residential construction remaining a particular bright spot."

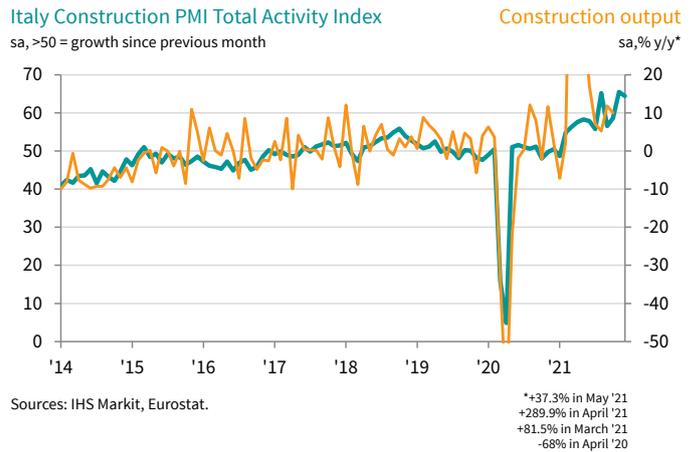
workforces during December, stretching the current sequence of higher employment to nearly a year. The rate of job creation was the slowest for five months, but still solid overall. Firms also recorded another rise in their subcontractor usage in December.

With output rising strongly and demand continuing to improve, Italian construction firms recorded more upbeat expectations towards activity over the next year. The level of sentiment rose to a three-month high and was elevated in the context of historical data.

December data also pointed to a further surge in input buying at construction companies. According to panellists, strong sales and efforts to stave off supply issues drove the latest uplift in purchasing activity.

Strong demand for inputs placed further pressure on supply chains, however, with lead times for building materials and products lengthening sharply again. That said, delays were the least widespread since last August.

Turning to prices, material shortages, transport fees and price hikes at suppliers were all attributed by respondents to a further increase in cost burdens during December. Notably, the rate of input price inflation was unchanged from November's record high. Cost pressures also came from subcontractors in December. Subcontractor rates rose markedly, although the rate of increase eased from November's peak.



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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

December data were collected 06-23 December 2021.

Survey data were first collected July 1999.

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