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IHS MARKIT ITALY CONSTRUCTION PMI®

May sees renewed expansion in activity as COVID-19 restrictions ease

KEY FINDINGS

Output rises for the first time in three months, albeit slightly

New work and employment both contract at softer rates

Renewed optimism towards the 12-month business outlook

Data were collected 12-29 May 2020.

May survey data signalled a renewed upturn in Italian construction activity following a record drop in April. Panel members indicated that the easing of measures related to the coronavirus disease 2019 (COVID-19) outbreak had led a number of firms to reopen and recommence projects. That said, the rate of growth was only marginal, as client demand remained relatively subdued. New orders fell for the third month running, albeit at a much weaker pace than in April, while employment contracted again. Average input costs declined for the second month in a row amid reports of downward pressure on supplier prices. Encouragingly, companies expressed renewed confidence towards the one-year business outlook.

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 Total Activity Index rebounded from a record low of 4.8 in April to 51.0 in May, to signal the first increase in construction activity across Italy since February. Though only marginal, the expansion was the quickest seen in 13 months.

Sub-sector data showed that the upturn was supported by renewed increases in housing and commercial activity. However, civil engineering activity continued to contract in May.

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



Source: IHS Markit.

Construction companies indicated that demand conditions remained relatively soft in May. New orders fell for the third month in a row, albeit at a modest pace that was much slower than in April. Companies reporting lower new business generally linked this to the pandemic and uncertainty around the outlook.

Subdued demand and lower operational requirements drove a further fall in staffing levels at construction firms in May. The rate of job shedding was weaker than those seen in March and April, but nonetheless solid.

At the same time, the recommencement of works led to a renewed rise in purchasing activity, albeit only marginal. However, ongoing restrictions around travel continued to weigh on vendor performance. Average delivery times lengthened sharply overall, despite the rate of deterioration easing notably from April's series record.

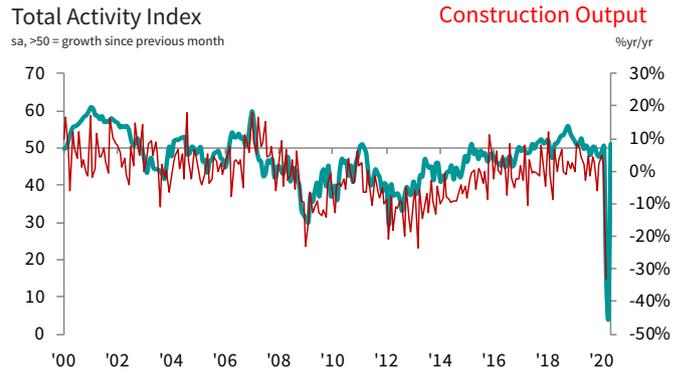
Average input costs faced by Italian construction firms fell for the second month in a row during May. That said, the rate of decline was only marginal. According to panellists, lower fuel prices and weaker overall market conditions drove the latest fall in purchasing costs.

Companies expressed mild confidence towards the one-year outlook for activity in May. Panellists widely anticipate demand conditions will improve once the pandemic is under control, while a number of firms linked optimism to the government's updated eco-bonus scheme.

COMMENT

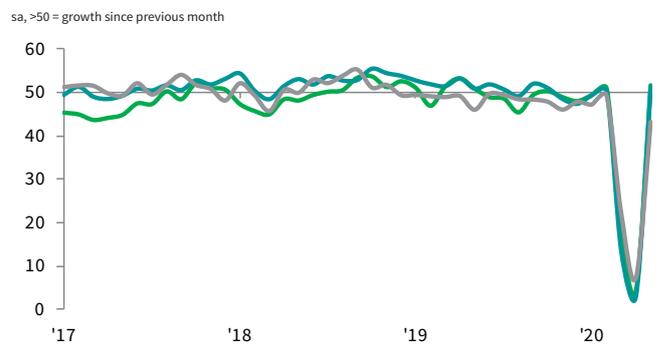
Annabel Fiddes, Associate Director at IHS Markit, which compiles the survey:

"Latest PMI data showed a slight increase in Italian construction activity during May after a record drop in April, as a number of firms reopen and recommence work on projects that were put on ice during the COVID-19 lockdown. However, demand conditions remained relatively weak, as many clients faced squeezed budgets and uncertainty around the outlook, which led to a further reduction in new work. Furthermore, companies continued to shed staff amid reports of excess capacity. Nonetheless, business confidence returned to positive territory, as many firms anticipate client demand will rebound once the pandemic situation improves. There were also companies that were hopeful that the newly-launched government eco-bonus scheme for homeowners would boost sales."



Sources: IHS Markit, ISTAT

Activity Index by construction category
Housing / Commercial / Civil Engineering



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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.

May data were collected 12-29 May 2020.

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

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