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IHS Markit Italy Construction PMI®

Further sharp uplift in construction activity during October

Key findings

Activity rises further, with expansion broad based across monitored sectors

Growth of new work remains among fastest on record

Unprecedented increase in cost burdens

Data were collected 12-29 October 2021.

The Italian construction sector remained on a strong growth footing during October, according to the latest PMI® data from IHS Markit. Business activity rose at a faster pace amid another historically steep expansion in new work, with panellists attributing the latest upturns to strong demand and government tax relief schemes. Price pressures intensified further, however, with cost burdens rising at the fastest pace on record amid material shortages.

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 56.6 in September to 58.6 in October, to signal a ninth straight monthly expansion in construction output.

At the sector level, the upturn remained broad-based. Residential continued to top the growth rankings with a near-record rate of expansion, followed by commercial activity, although the rate of increase in the latter eased further from August's peak. Civil engineering activity meanwhile rose for the third month running and at a slightly quicker pace.

Driving the overall upturn in October was a further uplift in new business to Italian constructors. Panellists attributed the latest rise to strong client demand, linked in turn to the government eco- and super-bonus schemes. The rate of increase eased further from August's peak, but was nonetheless the third-strongest on record and rapid overall.

Subsequently, firms continued to raise their buying activity in

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:

"The Italian construction sector continued on its growth path during October. Business activity rose sharply again amid another historically steep expansion in new work, with panellists commenting on strong client demand and a continued boost from the eco- and super-bonus schemes. As a result, firms took on additional staff at the strongest pace for over two decades.

"Supply disruptions continued to weigh on the performance of the sector into the final quarter of the year, however, as lead times for inputs lengthened at one of the greatest extents on record due to material shortages and logistical challenges. Shortages, combined with rising material and commodity prices led to a survey-record increase in cost burdens in October. Supply constraints also led firms to downgrade their expectations for activity over the year ahead to a ten-month low.

"On the whole, the sector remains in a strong position with growth showing little signs of slowing despite supply issues and inflationary pressures and at present, looks set to post another quarter of solid growth in Q4 as the recovery continues."

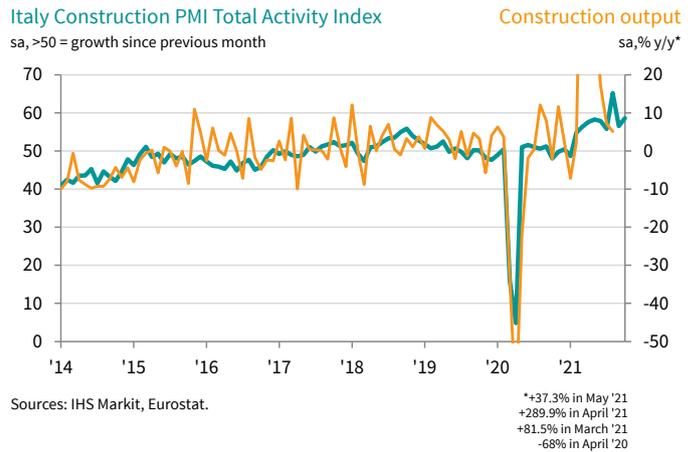
October, extending the current sequence of increase to nine months. The latest upturn was sharp overall.

October data also pointed to severe supply disruptions. Average delivery times lengthened further, with delays among the most severe on record, despite easing slightly on the month. Material shortages were the primary cause of longer lead times, according to panellists.

At the same time, cost burdens facing Italian construction firms rose again, with the rate of inflation the steepest on record. Shortages, as well as greater commodity and material costs, were cited by respondents as drivers of inflation in October. Subcontractor rates meanwhile rose at a near-record pace.

Meanwhile, greater production requirements were supported by a further uplift in employment in October. The rate of job creation was the fastest for over twenty years and sharp overall. Firms also recorded another solid rise in subcontractor usage during the month.

Looking ahead, Italian constructors remained upbeat with regards to activity over the next 12 months. Optimism was linked by surveyed businesses to strong sales and the government super- and eco-bonus tax relief schemes. That said, the level of sentiment moderated to the weakest since December 2020.



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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

October data were collected 12-29 October 2021.

Survey data were first collected July 1999.

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