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IHS MARKIT ITALY CONSTRUCTION PMI®

Construction activity rises at quickest rate since April 2019

KEY FINDINGS

Construction activity expands modestly

Renewed increases in new orders and employment

Business confidence improves to 13-month high

Data were collected 12-30 June 2020.

Italian construction companies saw a further increase in activity during June, as the sector continued to show signs of recovery following an easing of restrictions related to the coronavirus disease 2019 (COVID-19) pandemic. The modest expansion in activity was supported by a renewed increase in total new business. At the same time, firms raised their staff numbers for the first time since February and increased their purchasing activity. Concurrently, business confidence regarding the 12-month outlook for activity improved to its highest for just over a year. The virus outbreak continued to hinder supplier performance, however, with delivery times for inputs lengthening sharply.

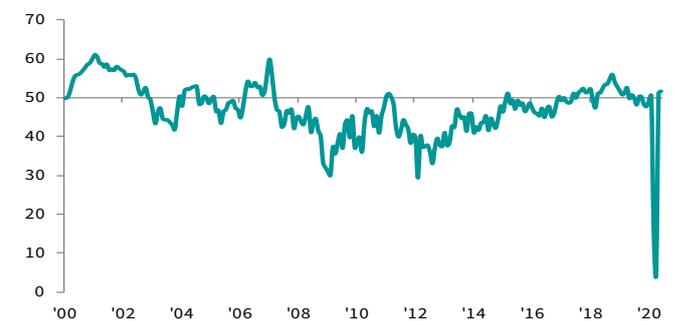
The headline figure from the survey is the IHS Markit Italy Construction Total Activity Index. This is a diffusion index that tracks changes in the total volume of construction activity compared with one month previously, and is adjusted for seasonal variations.

At 51.6 in June, the Total Activity Index rose from 51.0 in May and signalled a back-to-back monthly increase in Italian construction activity. Although the rate of expansion was only modest, it marked the quickest increase since April 2019.

The upturn was driven by greater commercial and housing activity. Notably, commercial activity expanded at the quickest rate in 14 months. In contrast, civil engineering recorded a further reduction in output.

The stronger increase in overall activity was widely linked to

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



Source: IHS Markit.

the resumption of business operations following an easing of COVID-19 related restrictions and rising client demand. Though modest, the rate of new order growth was the quickest since October 2019.

Firmer demand conditions and rising operational requirements supported a renewed increase in employment at Italian construction firms. Although the rate of job creation was marginal, it marked the quickest increase for seven months.

Buying activity also expanded at the end of the second quarter. The rate of growth picked up from May and, though marginal, was the strongest recorded since April 2019. At the same time, panellists continued to report longer delivery times for inputs due to travel restrictions stemming from the pandemic. The extent to which vendor performance deteriorated eased further from April's record, but remained historically sharp.

Operating expenses rose for the first time in three months during June. Moreover, the rate of increase was the sharpest since February, with a number of respondents attributing the rise to higher raw material costs.

June survey data pointed to a marked improvement in business confidence across Italy's construction sector. Optimism towards the 12-month outlook for activity hit its highest for just over a year, with many firms anticipating client demand to expand further.

COMMENT

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

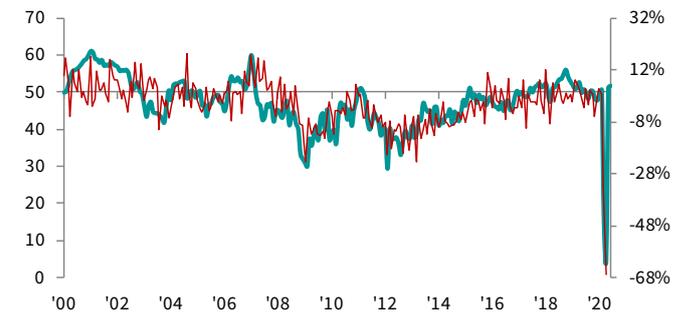
"Italian construction sector activity rose for the second month running in June, to signal a further recovery in conditions since the easing of COVID-19 restrictions which brought about record falls in output in March and April.

"The upturn was supported by a renewed increase in new orders, as more companies got back to more normal business operations. However, rates of growth for activity and new business remained relatively subdued, as there were still reports of the pandemic having a negative impact on overall demand conditions.

"Nonetheless, the positive trends led to a renewed increase in employment, while business confidence regarding the year-ahead rebounded to a 13-month high, with many firms anticipating sales to rise further when the pandemic situation improves."

Total Activity Index

sa, >50 = growth since previous month

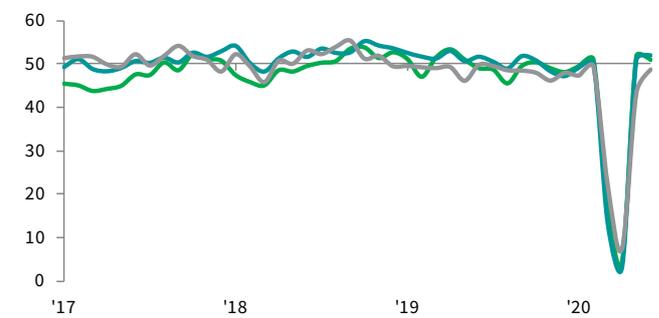


Sources: IHS Markit, ISTAT

Activity Index by construction category

Housing / Commercial / Civil Engineering

sa, >50 = growth since previous month



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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.

June data were collected 12-30 June 2020.

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

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