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IHS MARKIT ITALY CONSTRUCTION PMI®

Construction activity growth rebounds from May's slight decline

KEY FINDINGS

New business and purchasing activity return to growth

Employment expansion fastest since December 2006

Input price inflation at 30-month low

Italian construction activity rebounded in June from May's fall, amid the resumption of new business growth. Purchasing activity also picked up after declining in May to post a slight expansion during June. On the employment front, businesses took on additional staff at the fastest pace since December 2006, in response to greater customer demand.

Meanwhile, input prices increased at the slowest pace in 30 months, amid reports of little change in prices from May.

At 50.7 in June, up from 49.8 in May, the seasonally adjusted IHS Markit Italy Construction Purchasing Managers' Index® (PMI®) signalled a return to growth of Italian construction activity, following the first decline since March 2018 recorded in May. That said, the rate of expansion was only marginal amid reports from some panellists that underlying trading conditions had softened during June.

The marginal overall output expansion was centred on commercial activity which increased for the fifteenth consecutive month. Meanwhile, civil engineering recorded a further reduction in output, though the latest fall was the least marked in the current seven-month sequence of decrease. Residential construction activity posted its first contraction since February and was the worst performing of the three broad sectors.

The renewed upturn in activity was linked to a return to growth of new orders. The pace of expansion was solid, amid reports from panellists of stronger demand from new and existing clients.

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



In line with upturns in activity and new business, Italian construction firms increased their workforce numbers during June. The rate of job creation was steep and the fastest since December 2006. Anecdotal evidence indicated that greater workforce numbers stemmed from increased production requirements.

Purchasing activity among Italian construction firms returned to growth in June. Although the rate of increase was marginal, panellists stated that input buying had risen in response to greater new order inflows.

On the price front, the rate of input price inflation eased to a 30-month low during June, with the majority of panellists reporting no change in cost pressures. Some firms, however, stated that the rise in cost burdens was linked to greater raw material prices (in particular oil and bitumen). Purchasing costs have now increased on a monthly basis for exactly three years.

Looking forward, Italian construction firms predicted a rise in business activity over the next 12 months. Among the factors expected to support growth of activity were greater customer demand and hopes of a recovery of the Italian economy. That said, business confidence eased to a three-month low.

COMMENT

Amritpal Virdee, Economist at IHS Markit, which compiles the survey:

"June data revealed a turnaround in the performance of the Italian construction sector, with activity returning to growth from the first decline since March 2018 recorded in May. While the recent rebound in construction work was slight, there are some signs that underlying demand conditions have picked up at the end of the second quarter of 2019.

"New business inflows expanded solidly and recovered from the fractional decline recorded in May, while workforce numbers increased at the strongest rate since December 2006.

"Commercial construction was the bright spot for construction growth in June, alongside a less marked decline in civil engineering projects. However, residential activity contracted for the first time since February and was the worst performing of the three observed categories in June.

"On the price front, Italian construction companies experienced a weakening of cost pressures in June, with the seasonally adjusted Input Prices Index posting the lowest reading in 30 months. Meanwhile, supply chains struggled to keep up with demand for construction products and materials again in June."

CONTACT

IHS Markit

Amritpal Virdee
Economist
T: +44-207-064-6460
amritpal.virdee@ihsmarkit.com

Joanna Vickers
Corporate Communications
T: +44-207-260-2234
joanna.vickers@ihsmarkit.com

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 2019 data were collected 12-28 June 2019.

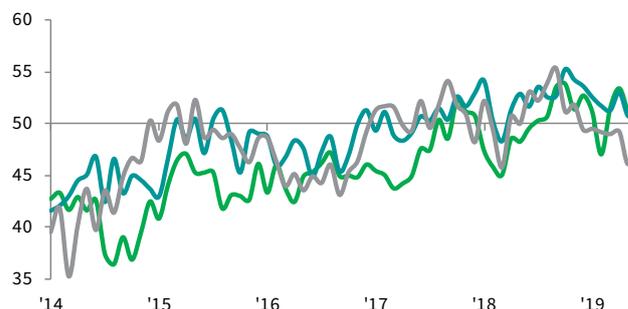
For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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Activity Index by construction category
Housing / Commercial / Civil Engineering

sa, >50 = growth since previous month



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Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).