News Release

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IHS MARKIT ITALY CONSTRUCTION PMI®

Construction activity rises at quickest pace since June

KEY FINDINGS

Headline Total Activity Index hits three-month high of 51.2

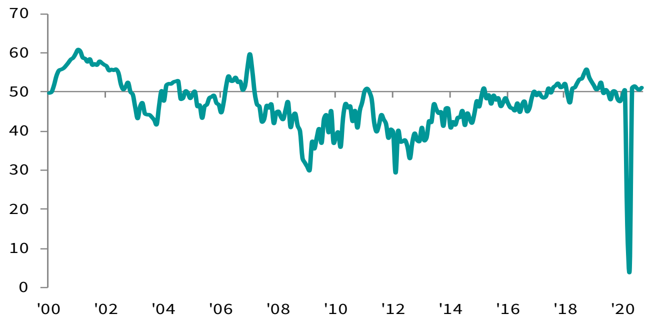
New orders rise at quickest rate since October 2019

Job cuts continue for third month running

Data were collected 11-30 September 2020.

Total Activity Index

sa, >50 = growth since previous month



Source: IHS Markit.

Growth of Italy's construction sector continued in September, with total activity rising for the fifth month running and at the quickest rate since June. The latest expansion was supported by a further rise in the volume of new orders, the quickest since October 2019, with respondents linking the uptick in both activity and new business to improved demand conditions. Nonetheless, Italian construction companies remained cautious with regards to hiring in September, as staffing levels fell for the third month running. Job shedding eased to only a mild pace, however, with panellists in some segments mentioning they had filled vacancies amid higher workloads.

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 headline index rose from 50.6 in August to 51.2 in September and signalled the quickest expansion in total construction activity since June. That said, the rate of increase was only modest overall.

At the sub-sector level, growth was driven entirely by residential construction, which reported the fastest increase in activity since April 2019. Meanwhile, civil engineering activity was broadly stable on the month, while commercial construction activity dipped back into contraction territory.

Overall growth was supported by a fourth consecutive increase in new orders at Italian construction companies during September, amid reports of improved client demand. The rate of expansion was the quickest since October 2019, but only mild.

Nonetheless, firms continued to reduce their workforce numbers during the latest survey period, linked primarily to the non-replacement of leavers. That said, job shedding eased to a mild pace, with anecdotal evidence indicating that some firms were taking on additional staff to cope with higher workloads.

Amid improved demand conditions, and in preparation for an anticipated rise in workloads, construction firms across Italy increased their purchasing activity for the second month running in September. As a result, there was further pressure on capacity at suppliers, with lead times lengthening to a greater extent than in August. Reports of delays were well down on the levels reached in the spring, however.

On the price front, average input costs rose further in September. The rate of increase was the slowest in the current four-month sequence of inflation, but still moderate.

Looking ahead, Italian constructors signalled a higher degree of confidence regarding the 12-month outlook for activity in September. Optimism was linked to improved demand conditions and, more widely, the government ecobonus scheme.

PMI® By IHS Markit

COMMENT

Lewis Cooper, Economist at IHS Markit, which compiles the survey:

"September data highlighted quicker growth of Italy's construction sector, with total activity rising at the fastest pace since June amid a further modest uptick in inflows of new business. At the sector level, gains in total activity came almost entirely from housing construction, although civil engineering activity approached stabilisation in September.

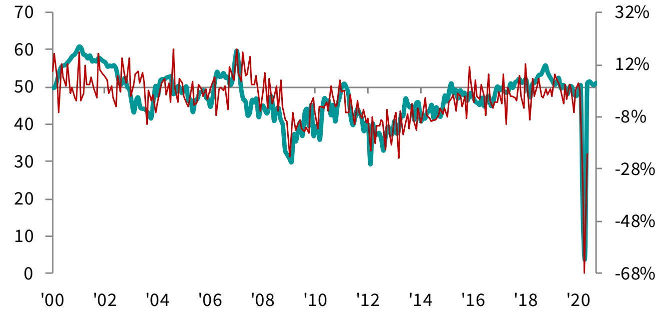
"Construction firms continued to cut their workforces, mostly linked to the non-replacement of leavers. Job shedding was less widespread in September, however, with some respondents reporting a rebound in hiring as order books picked up.

"Positive news came again from business sentiment, with the 12-month outlook for activity strengthening. The government's ecobonus scheme was overwhelmingly cited as the main reason to be confident, and it is clear that the scheme has provided a real lifeline, and a boost, to get the sector back on track following the unprecedented drop of activity in the spring, at the height of the pandemic."

Total Activity Index

Construction Output

sa, >50 = growth since previous month

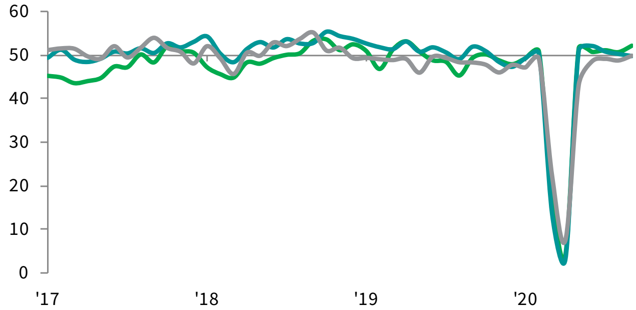


Sources: IHS Markit, ISTAT

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.

September data were collected 11-30 September 2020.

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

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

About PMI

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.

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