

Italy

Construction sector set to post contraction in final quarter

- **Construction industry remains drag on overall economic output in Q4...**
- **...despite downturn easing in November**
- **Residential, commercial and civil engineering activity remain in decline**

Italy's construction sector looks set to remain a drag on GDP in the final quarter of the year, with businesses in the industry having recorded further reductions in total activity levels in both October and November. The latest contraction was the slowest in five months, but nevertheless still solid overall and broad based across the housing, commercial and civil engineering sectors.

November saw the total level of construction activity in Italy fall for the thirty-second month in a row. Despite easing notably since October in line with a slower decrease in new orders, the rate of decline was such that the sector is so far averaging a worse performance in the fourth quarter than in the three months to September.

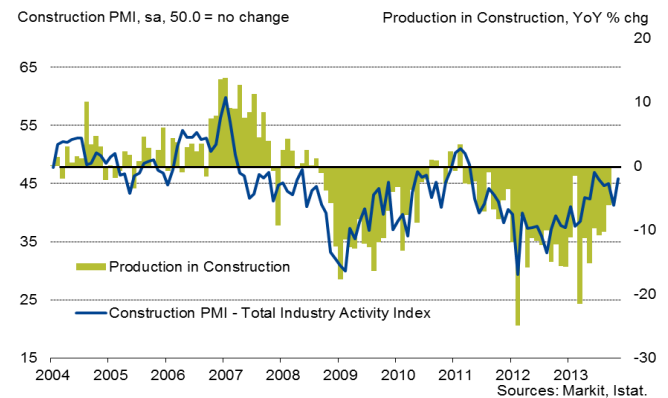
November's decrease in construction work compounded a renewed decline in business activity in Italy's service sector, by far the biggest contributor to total private sector output. The All-Industry Output PMI – measuring the combined output of the manufacturing, service and construction sectors – registered below neutrality for the first time in three months, reducing the likelihood of an exit from recession before the end of the year.

Manufacturers on the other hand continued to fare much better than their counterparts operating in construction and services, recording an increase in production for the sixth straight month amid robust growth in export sales.

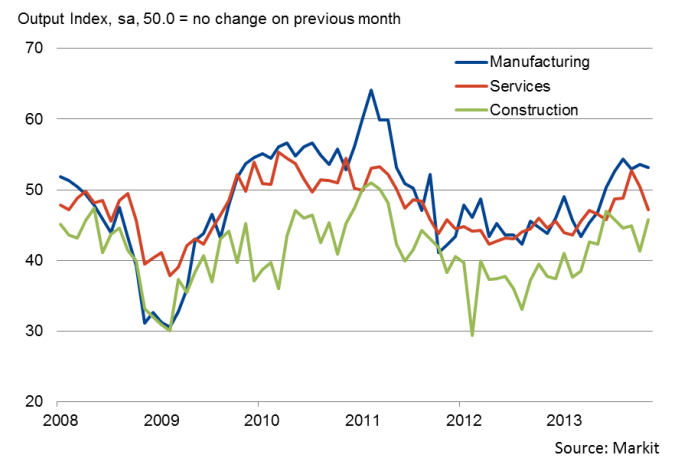
Weakness in all categories of construction

Data continued to point to a broad-based downturn in construction work in November, although rates of decline did ease in all three of the sub-sectors monitored by the survey. Commercial activity fell to the greatest extent since October, and posted its thirty-second straight monthly contraction in the process.

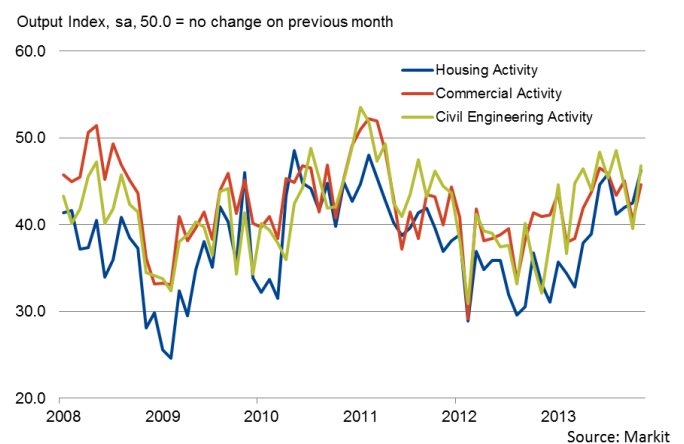
Construction PMI vs. Official data



Output PMIs compared



Construction sector breakdown



Housing activity, so often in recent times the construction sector's weakest performer, recorded its slowest contraction since February 2011, albeit one that was still slightly faster than that observed for civil engineering.

Trends elsewhere in the sector echoed those for activity and new orders. Levels of employment, purchasing activity and sub-contractor usage each fell more slowly than one month previously, though still markedly overall. One other development of note was a sharp increase in supplier delivery times, the most marked since mid-2000.

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