

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Italy Construction PMI®

Expansion of Italian construction sector loses momentum in January

Key findings:

Rise in construction activity powered by residential building

Softer inflows of new work signalled

Marginal upticks in employment numbers and purchasing quantities

Data were collected 9-31 January 2025.

The Italian construction sector remained in growth territory at the start of 2025, owing largely to an accelerated increase in residential building activity. Following renewed uplifts in December, growth of both new orders and activity lost momentum in January, however.

According to anecdotal evidence, decisions on activity, employment and input buying were all centred on order book volumes. As a result, in all cases growth was only marginal overall, matching that of new work.

The headline **HCOB Italy Construction Purchasing Managers' Index™ (PMI®)** – which measures month-on-month changes in total industry activity – ticked down slightly from 51.2 in December to 50.9 in January. The latest reading marked the second rise in activity levels in as many months. Panellists attributed the expansion to increased incoming new work and the opening of new construction sites. Though only signalling marginal growth, the latest PMI reading was comfortably above its long-run average (48.3).

The overall increase in activity in the sector was propped up by sustained growth in residential building activity, as the only monitored sub-sector to signal an expansion. Housing construction activity rose markedly at the start of 2025, with the rate of expansion accelerating to a 32-month high. The civil engineering sub-sector came in at the other end of the scale, having signalled a substantial drop activity and one that was the fastest seen for 28 months. Commercial building activity meanwhile contracted, reversing back-to-back months of growth in November and December.

A marginal rise in activity was accompanied by a similarly strong improvement in client demand in January. The latest uplift in new orders was the second in successive months and reflective of a pick-up in successful quotations as well as new contracts.

The trend of workforce expansion was carried through into the new year, as headcounts were increased for a fifth month in a row in January. This was largely a result of new work inflows, while firms often mentioned hiring staff on full-time contracts to support workloads. The rate of job creation was only marginal, having slowed in line with growth of new orders. At the same time, Italian constructors signalled a sustained reduction in their usage of subcontractors.

For the first time in nearly a year, there was an increase in purchasing activity at Italian construction firms in January. In anecdotal evidence buying trends were closely linked to those of new orders. As a result, the increase in purchasing quantities was likewise only marginal. Meanwhile, the deterioration in vendor performance was its most pronounced for ten months, reflecting transport delays and shortages.

Turning to costs, raised price lists at suppliers contributed to sustained inflationary pressure in January. Though solid overall,

the latest increase in costs was softer than in the previous survey period and weaker than the average trend.

Looking ahead, firms were hopeful for a rise in new orders and expect activity to pick-up due to contracts already signed. Overall confidence towards the next 12 months was stronger on the month, but remained weak when put into historical context.

Comment

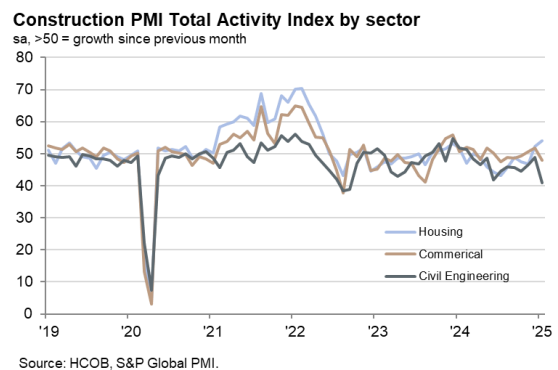
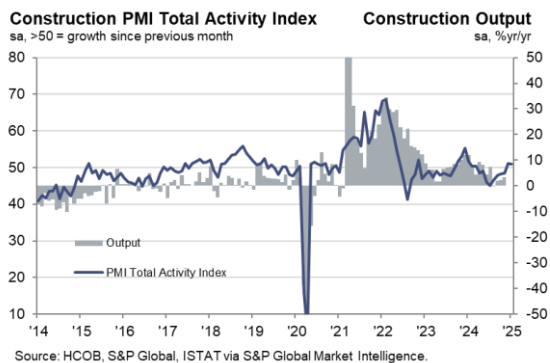
Commenting on the PMI data, Jonas Feldhusen, Junior Economist at Hamburg Commercial Bank, said:

“At the dawn of the new year, the HCOB PMI remained comfortably above the 50 threshold that delineates expansion from contraction, with growth slightly moderating from 51.2 to 50.9. Despite this slight easing, relatively robust construction activity figures continue to signal steady growth, with no major shifts, according to the latest HCOB PMI data. Notably, residential construction remains the sole growth sector, while commercial and civil engineering sectors have seen reduced activity at the year's start. The civil engineering sector, in particular, is a cause for concern, with an exceptionally sharp decline in January and a downturn that has persisted for nearly a year.”

“The overall uptick in Italy's construction sector is supported by a somewhat improved order situation. For the second consecutive month, fuller order books have encouraged construction companies to continue hiring additional personnel. However, the subcontractor landscape is more strained, with demand for their services declining for the second month as their availability has improved. This dynamic is leading to a gradual disinflation in subcontractor rates.”

“In terms of procurement, there has been no significant movement. The procurement of construction materials has stagnated for several months, and any increase in input purchases has been linked to new orders. Input price inflation no longer poses a significant threat, with survey results indicating price increases that are well below those seen during the post-pandemic supply chain crisis and even below the historical average. Overall, procurement appears to be normalising.”

-Ends-



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Note to Editors

The HCOB Italy Construction PMI[®] is compiled by S&P Global from responses to questionnaires sent to a panel of over 200 construction companies. The panel is stratified by company workforce size, based on contributions to GDP. Survey data were first collected July 1999.

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@spglobal.com.

Hamburg Commercial Bank AG

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