

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Italy Construction PMI®

Italian construction sector remains in decline

Key findings:

Activity continues to fall despite rise in new orders

Commercial activity is a notable weak spot

Confidence down to five-month low

Data were collected 12-31 July 2023.

Construction sector activity declined again during July as firms had sufficient site capacity to deal with a slight rise in new contracts. Employment growth was also sustained for a ninth successive month, linked to expectations for higher activity in the coming year. However, confidence slipped to its lowest since February, amid some concerns that market uncertainty will persist, and high interest rates will reduce demand.

On the price front, input costs continued to rise at a much slower rate than typically seen since mid-2020.

The headline **HCOB Italy Construction Purchasing Managers' Index® (PMI®)** – which measures month-on-month changes in total industry activity – remained below the 50.0 no-change mark during July. Posting 48.0, down from 48.6 in June, the index signalled a modest, but accelerated, fall in activity. The current period of decline now extends to eight months.

Looking at a breakdown of activity by sub-sector, the steepest contraction was again to be found in commercial work. Output here fell for an eighth successive month and to the greatest degree since last August. Civil engineering extended its run of decline to half-a-year, with the pace of decline sharper than in June. Housing activity was little changed and subsequently the best performing sub-category in July.

Overall construction activity fell despite a second successfully monthly rise in new contracts during July, linked in part to better demand. However, there were reports of lingering market uncertainty, which served to restrict growth to a marginal pace. Firms subsequently adopted a circumspect approach to purchasing, reducing their buying activity marginally for an eighth month running.

Lower demand continued to reduce pressure on vendors, who were also reported to have improved their responsiveness. Still, recent flooding and residual pandemic-related difficulties in sourcing materials meant that lead times lengthened again during July. The rate of deterioration however remained much lower than typically seen since early 2020.

Prices for bought-in inputs meanwhile continued to rise in July, extending the current period of inflation that began June 2020. There were reports of higher prices for some raw materials, and that suppliers were adjusting price lists in line with wider inflation. The net increase in costs was however much lower than generally seen over the past three years.

Jobs growth was sustained during July, extending the current period of expansion to nine months. The increase in employment was linked to positive expectations for activity, with firms again on average signalling that a output will rise from present levels in the coming 12 months. However, the degree of confidence was the lowest recorded by the survey since February, and overall

staffing numbers rose only marginally. Worries over rising interest rates, and the adverse impact on economic activity, were noted by several panellists.

Comment

Commenting on the PMI data, Tariq Kamal Chaudhry, Economist at Hamburg Commercial Bank, said:

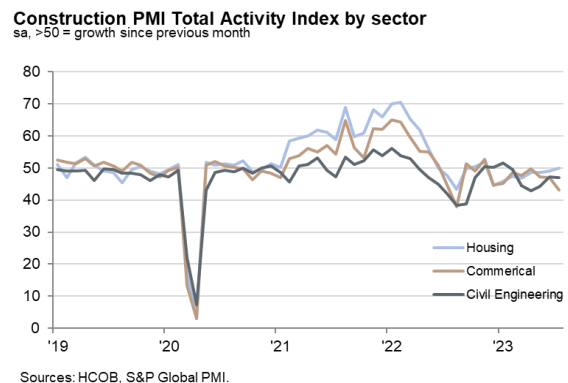
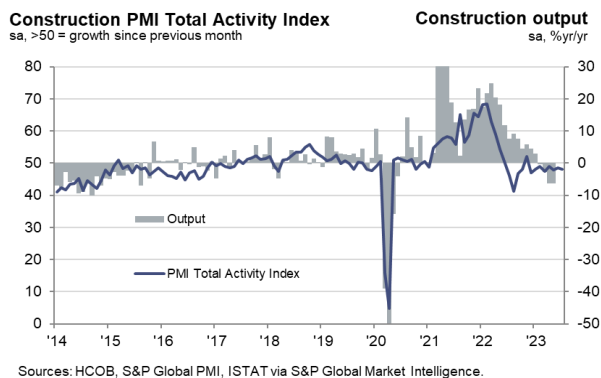
"The current situation in the Italian construction sector is depressing. Sector activity has been in contraction territory for the past eight months. The July reading of the HCOB PMI for the construction sector failed to initiate any turnaround and remains contractionary at a level of 48.0 index points. In May, construction output dropped by 0.7% compared to the previous month. The HCOB PMIs reinforce the assumption that output will continue to decline in the coming months.

"In the sub-indices of overall activity, the situation is equally challenging. The only exception seems to be the housing sector, which experienced the slowest pace of contraction in July since the beginning of the year. If this trend continues, we might witness stagnation in the housing PMI next month.

"In contrast to manufacturing, the construction sector is still grappling with rising input prices, primarily driven by essential construction materials. If the sluggishness in the Italian construction output continues, we may soon see prices start to decline for these companies as well.

"Against the backdrop of sharply rising interest rates and high input prices, it is surprising that order intakes in the construction sector are increasing, albeit slightly. Construction companies appear cautiously optimistic about the future, which is having a positive impact on the employment situation. There is even more hope placed on a suspended tranche of €19 billion from the NextGenerationEU Fund, originating from Brussels. However, the timing of its release remains uncertain."

-Ends-



Contact

Hamburg Commercial Bank AG

Tariq Kamal Chaudhry

Economist

T: +49-171-915-9096

tariq.chaudhry@hcob-bank.com

Katrin Steinbacher

Head of Press Office

Senior Vice President

T: +49-40-3333-11130

katrin.steinbacher@hcob-bank.com

S&P Global Market Intelligence

Paul Smith

Economics Director

T: +44-1491-461-038

paul.smith2@spglobal.com

Sabrina Mayeen

Corporate Communications

T: +44-796-744-7030

sabrina.mayeen@spglobal.com

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@ihsmarkit.com.

Hamburg Commercial Bank AG

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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. www.spglobal.com/marketintelligence/en/mi/products/pmi.html

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