NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Italy Construction PMI®

Italian construction sector downturn eases in October

Key findings:

Slight decrease in new construction business

Strongest rise in employment for seven months

Weakest cost pressures since May 2020

Data were collected 10-31 October 2024.

Activity in the Italian construction sector deteriorated again in October. That said, there were further signs of the downturn in the sector easing, as declines in both activity and new orders slowed, the latter to an only fractional pace. This provided firms some confidence to hire new workers in October.

There was still ongoing reluctance to purchase additional inputs, which in turn provided some relief on operating expenses. In fact, the rate of input price inflation was the softest for nearly four-and-a-half years.

The headline **HCOB Italy Construction Purchasing Managers' Index™ (PMI®)** – which measures month-on-month changes in total industry activity – rose slightly from 47.8 in September to 48.2 in October.

The index signalled a sustained, but slower downturn that was the least pronounced since May. While some firms blamed the reduction on subdued demand for construction work, others suggested that adverse weather conditions had limited activity.

A breakdown of activity by sub-sector revealed that the decline was again widespread in October. Civil engineering remained a weak spot having contracted at a sharp and accelerated rate. Meanwhile, commercial building activity fell only marginally and at the slowest rate of the three sub-sectors.

The underlying weakness in overall construction activity was closely linked to a sustained decline in new business. Panellists mentioned that there was still some uncertainty among clients as economic conditions remained challenging. That being said, the decline was only fractional and the least marked of the current seven-month sequence of contraction.

Despite reductions in output and new orders, firms opted to hire additional staff in October, marking the second monthly rise in headcounts in a row. The rate of job creation was the strongest seen since March, despite being only modest. Firms stated that new hires were typically brought in to help keep on top of workloads. Meanwhile, subcontractor usage fell at the sharpest rate for over two years.

October survey data revealed a decrease in input buying at Italian construction firms, as has been the case since March. The modest drop in purchasing was linked by panellists to subdued new orders and activity levels.

Lower demand for inputs meanwhile helped to relieve cost pressures. Though still rising in October, input prices increased at the slowest rate for nearly four-and-a-half years. Nevertheless, average delivery times on inputs lengthened in October, after companies had registered improvements in vendor performance in the two months prior.

Looking ahead to the next 12 months, firms were on average confident that activity would rise from present levels in October. Forecast inflows of new business and work on existing contracts are expected to drive up activity. The degree of positive sentiment fell noticeably from September and signalled only muted optimism in the outlook.

Comment

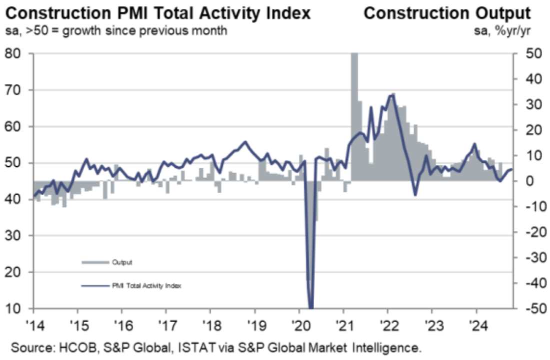
Commenting on the PMI data, Jonas Feldhusen, Junior Economist at Hamburg Commercial Bank, said:

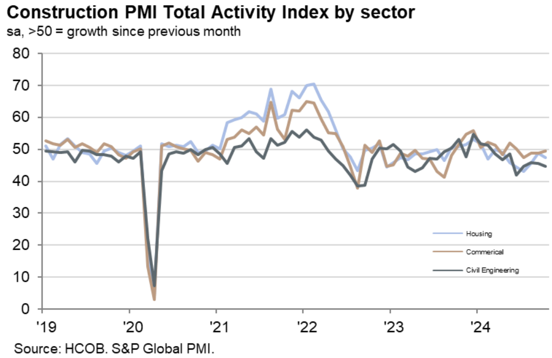
"Activity in Italy's construction sector continued to decline in October, albeit marginally. The headline index now stands at 48.2, marking the highest level since May and nearing the 50-point threshold, which indicates stagnation. This decline once again affected all three sub-sectors, with the most pronounced drop in civil engineering. The residential construction sector saw a somewhat sharper decline after moderating in September, while the decline in the commercial construction sector was only marginal.

"One positive development is the trend in new orders for Italy's construction sector. The index now hovers barely in contraction territory, indicating that incoming orders in October did not experience the same drop as in previous months. However, customers are reportedly still holding back due to ongoing economic uncertainty, prompting companies to continue reducing their purchasing quantities.

"Input price inflation is no longer a major concern. Where increases in input prices are reported, they are attributed to slightly higher raw material costs. With input cost inflation contained, this may encourage firms to take on additional staff. Despite waning future expectations—now significantly below the historical average—more new hires are being made in the construction sector."

-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

Hamburg Commercial Bank (HCOB) is a private commercial bank and specialist financier headquartered in Hamburg, Germany. The bank offers its clients a high level of structuring expertise in the financing of commercial real estate projects with a focus on Germany as well as neighboring European countries. It also has a strong market position in international shipping. The bank is one of the pioneers in European-wide project financing for renewable energies and is also involved in the expansion of digital and other areas of important infrastructure. HCOB offers individual financing solutions for international corporate clients as well as a focused corporate client business in Germany. The bank's portfolio is completed by digital products and services facilitating reliable, timely domestic and international payment transactions as well as for trade finance.

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

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