

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Italy Construction PMI®

Construction activity increases further, but growth cools

Key findings:

Activity and new orders rise at softer rates in January...

...but confidence in the outlook posts five-month high

Input price inflation records six-month low, while remaining sharp

Data were collected 11-31 January 2024.

Construction activity increased again during the opening month of 2024, marking a fourth successive monthly improvement. This was supported by a further rise in new business, which was often linked to new contracts borne out of the National Recovery and Resilience Plan (PNRR).

Across the board, January saw the Italian construction sector's expansion lose momentum, however. Softer rises were recorded for output, new orders, employment and purchasing activity. In addition, inflationary pressures cooled a six-month low. That being said, constructors' optimism towards the outlook picked up.

The headline **HCOB Italy Construction Purchasing Managers' Index™ (PMI®)** – which measures month-on-month changes in total industry activity – dropped notably from December's 20-month high of 55.2 to 51.6 in January. Despite signalling the slowest rise in activity in four months, the index remained well above its historical average. Where an increase was reported, construction companies attributed this to the PNRR. On the other hand, firms recording a fall in activity often blamed the end of the superbonus scheme.

Activity across residential and civil engineering construction projects rose at the same pace in January. The rate of increase was modest, after having decelerated across both sub-categories.

In comparison, the commercial construction sub-category was the worst-performing in January, despite leading the growth rankings in December.

Meanwhile, new business at Italian construction firms picked up again during January, indicating a fourth consecutive monthly increase. According to anecdotal evidence, companies reportedly won new contracts. On the other hand, firms reporting a drop in new work blamed the end of the superbonus. Overall, the rate of increase was moderate and the slowest in three months.

In line with softer increases in activity and new business, constructors took a slower approach to hiring in January. The rate of jobs creation was solid, nonetheless.

January saw buying activity increase at a strong rate again, thereby extending the current sequence of expansion to five months. Survey respondents expressed a greater need for materials due to starting new contracts. That said, the pace of increase slowed slightly on the month.

Suppliers struggled to cope with the additional demand in January and as a result, average lead times for the delivery of inputs lengthened again. Furthermore, the deterioration was marked and the sharpest in 14 months.

Turning to costs, January saw cost burdens faced by Italian construction firms rise further. According to panellists, increased raw material prices drove the latest upturn. The rate of inflation was sharp in January, but softer than in December.

Despite a weaker overall expansion across the Italian construction sector in January, firms were more confident that output would pick up over the next year. Positive sentiment was partly driven by expectations that demand conditions would improve, and also plans to open new construction sites. Furthermore, the degree of optimism was not only at a five-month high, but also above the historical average.

Comment

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

"After a cracking growth spurt in the Italian building game, things took a bit of a nosedive in January. The HCOB PMI for the sector dropped by 3.6 index points compared to the previous month, but it's still hanging in there in the growth zone at 51.6. The building business in Italy is a bit of a one-off compared to the big four economies, mainly because of government handouts rather than the hustle of private players. Our HCOB Nowcast reckons the building sector will see 1.8% growth this quarter.

"Weaker growth signals were recorded in all subcategories of the construction sector. Commercial building activity has suffered particularly strongly compared to residential properties and civil engineering. It remains to be seen how sustainable the downward trend will be in the coming months.

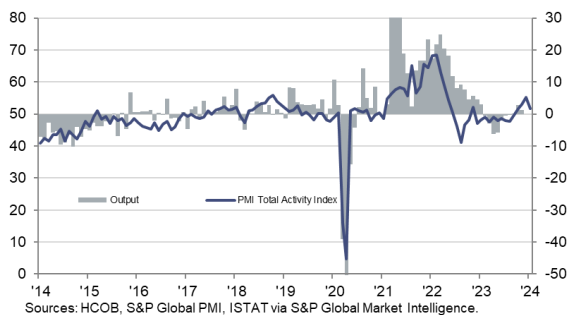
"Despite losing ground compared to the previous month, employment is on the rise, along with the overall volume of purchases. This sets the construction sector apart from others because it indicates a demand surge perceived as robust and sustainable by Italian builders.

"The only downside to the stable situation is the persistence of inflation. This is evident not only in input prices but also in subcontractor rates, despite an overall decrease in subcontractor usage. Nevertheless, surveyed companies have expressed extremely optimistic expectations for future activity, supported by ongoing growth in orders. According to respondents, the new contracts are attributed to the EU's National Recovery and Resilience Plan (PNRR)."

-Ends-

Construction PMI Total Activity Index

sa, >50 = growth since previous month



Construction PMI Total Activity Index by sector

sa, >50 = growth since previous month



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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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