

NEWS RELEASE
MARKET SENSITIVE INFORMATION
Embargoed until 0930 CEST (0730 UTC) 6 July 2023

HCOB Italy Construction PMI®

Construction sector registers modest fall of activity

Key findings:

Seventh straight decline in activity signalled

Return to growth of new orders...

...but confidence down and employment growth softens

Data were collected 12-30 June 2023.

Italy's construction sector remained stuck in a downturn during June, with overall activity falling and across all monitored sub-sectors. However, rates of decline were generally weaker, and new orders registered growth for the first time since last November. Purchasing activity meanwhile was cut, but only marginally, whilst a slight increase in employment was registered. Input costs continued to rise due to a general increase in prices. Confidence in the future remained positive, though eased to its lowest since February.

The headline **HCOB Italy Construction Purchasing Managers' Index® (PMI®)** – which measures month-on-month changes in total industry activity – improved in June but remained stuck below the 50.0 no-change mark. The index posted 48.6, up from 47.9 in May, and thereby signalling a decline in activity for the seventh month running.

The latest contraction in activity was again broad-based. Output fell across all monitored sub-categories, led by commercial which recorded its worst performance since January. Civil engineering registered a solid decline in activity that was similar to the pace seen for commercial. Housing recorded a seventh monthly decline in production, but the rate of contraction was marginal and the softest in this sequence.

Firms linked the latest fall in activity to previous declines in new work that have been observed since the end of last year. However, in June, there was a somewhat positive development, with new orders increasing marginally and thereby ending a six-month sequence of contraction. Panellists commented on generally higher client interest in starting new construction projects, and some success in tapping into this improved demand.

Constructors remained somewhat circumspect in their purchasing decisions heading into mid-year. Latest data showed that buying activity declined again in June, the seventh month in a row that a fall has occurred. There were reports from the survey panel that workloads remained insufficient to encourage an increase in the buying of new materials and goods. This in part reflected an uncertain outlook. Although activity is typically forecast to rise from present levels, linked in part to June's positive demand developments, there are concerns amongst the panel that higher interest rates will weigh on construction investment. The net result was a fall in business confidence to a four-month low.

Worries about the future weighed on employment growth during June. Although firms took on extra staff in some instances, the non-replacement of leavers in several cases meant that employment growth slipped to a modest level that was the lowest in eight months. Firms also reduced their usage of sub-contractors for a second month in a row, leading to a modest increase in their availability.

Vendor performance remained, especially in the context of severe pandemic related distortions, relatively stable in June. Still, average lead times worsened modestly, amid some residual challenges for vendors in sourcing and supplying inputs. Average input prices also rose again, with the pace of inflation accelerating since May to a three-month high. Fuel and energy remained sources of elevated costs, according to firms.

Comment

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

"The weakness of the Italian construction sector continued in June, according to the HCOB PMI. Another index reading below 50 points signals that the construction sector's contraction, which according to ISTAT amounted to 3.8% MoM in April, has continued in May and June.

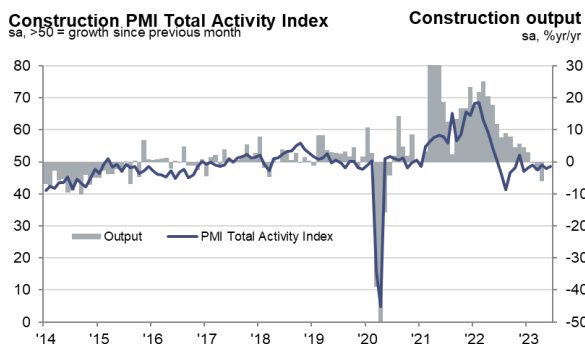
"The weakness of the construction sector, which expanded by just 1.4% from Q1 2022 to Q1 2023, remains comprehensive. None of the important subsectors (housing, commercial real estate, and civil engineering) succeeds in breaking free this month. The contraction in commercial real estate construction activity even marginally intensified in June compared with the previous month.

"Notably, the construction sector is still struggling more with rising input prices and longer delivery times than other sectors in Italy. However, given declining construction activity, we believe it is only a matter of time before signs of easing become more noticeable on these fronts.

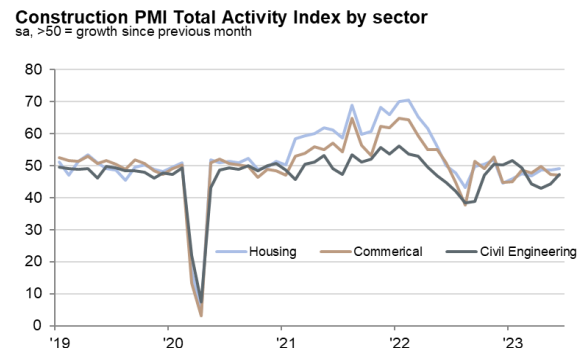
"The outlook for the coming months is rather subdued. Although new orders increased slightly in June, they have experienced a continuous contraction between December last year to May. The construction industry continues to hire but significantly reduced the pace of hiring last month. And a look at the demand for residential loans, as tracked by the Bank of Italy, suggests that construction activity will continue to decline in this segment.

"State aid from the Italian government is currently not on the horizon, as it must reduce its budget deficit to below 3% of GDP by 2026 in line with EU requirements. Only the issuance of the outstanding tranche under the EUNextGeneration program could spark greater optimism."

-Ends-



Sources: HCOB, S&P Global PMI, ISTAT via S&P Global Market Intelligence.



Sources: HCOB, S&P Global PMI.

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

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.

Hamburg Commercial Bank aligns its activities with established ESG (Environment, Social, and Governance) criteria and has anchored sustainability aspects in its business model. It supports its clients in their transition to a more sustainable future.

The bank's specialists are as experienced as they are pragmatic. They act in a reliable manner and at eye level with their customers. They provide in-depth advice in order to jointly find efficient solutions that are a perfect fit – for complex projects in particular. Tailor-made financing, a high level of structuring and syndication expertise and many years of experience are just as much a hallmark of the bank as are our profound market and sector expertise.

S&P Global (NYSE: SPGI)

S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

S&P Global is a registered trademark of S&P Global Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2023 S&P Global Ltd. All rights reserved. www.spglobal.com

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

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, [click here](#).

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index[®] and PMI[®] are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.