

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Italy Construction PMI®

Italian building sector remains in decline during November

Key findings:

Activity downturn slows further

Sharper decline in new orders placed for building work in Italy

Jobs growth sustained, while confidence towards the future brightens

Data were collected 12-29 November 2024.

Italian construction activity continued to decline at a modest rate in November, as demand for building work faltered again, according to the latest HCOB PMI®. Linked to raised levels of uncertainty, firms reported a faster drop in incoming new construction orders in November. Nevertheless, activity levels fell at the slowest pace since May, with the downturn easing for a fourth successive month.

On the brighter side, firms opted to raise their workforce levels for a third month in a row, while expectations towards future activity picked up. Confidence did, however, remain subdued when put into historical context.

The headline **HCOB Italy Construction Purchasing Managers' Index™ (PMI®)** – which measures month-on-month changes in total industry activity – ticked up from 48.2 in October to 48.5 in November. While a number of firms linked the downturn to subdued incoming new work, others mentioned adverse weather conditions as a limiting factor. Having continued along the trend of easing decline for a fourth consecutive month in November, the latest drop in activity was consistent with only a modest rate of contraction.

Looking at the sub-sector breakdown, housing and civil engineering activity were drags on the headline index. Meanwhile, registering a fresh, albeit only marginal rise in output, the commercial construction sector was the sole bright spot in November.

Following a near-stabilisation in October, demand conditions across the Italian construction sector had deteriorated again in November. In fact, firms reported a sharper decline in new orders. Clients were failing to commit to new contracts given the raised levels of uncertainty as a result of the still challenging market conditions.

On a more positive note, the underlying weakness in orders failed to deter firms from hiring new staff in November. The latest round of job creation often reflected a combination of new permanent hires and fixed-term contracts, often made to support new projects. Employment levels were raised for the third month in a row, albeit modestly. At the same time, constructors in Italy also reported an uplift in their usage of subcontractors for the first time in six months.

Amid sustained falls in both new orders and activity, construction firms in Italy lowered their purchasing quantities further, thus often relying on input stocks in November. The rate of contraction was only fractional, however. Companies reported a sharper rise in the average prices paid for inputs in November, as the cost of raw materials increased, partly due to shortages. Cost pressures remained muted compared to the long-run average, however.

As a result of supply issues and delivery delays, constructors in Italy registered another decline in the performance of their vendors in November. This marked the second consecutive monthly lengthening of average lead times.

Italian construction firms did express greater optimism towards the future in November. Around a quarter of companies (26%) were confident that activity would rise from present levels, compared to 18% that predicted a fall. New project proposals and a recent influx of new contracts were the main drivers of growth reported by panellists. The uplift in positive sentiment was not sufficient to push optimism above its long-run average, however.

Comment

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

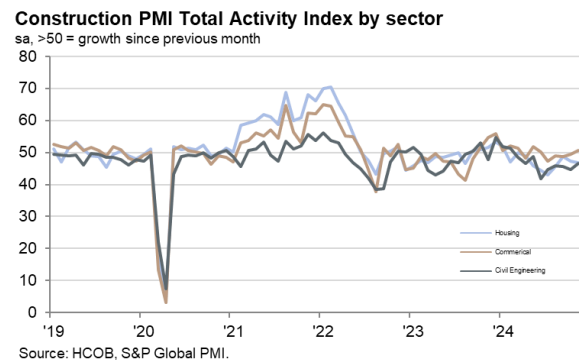
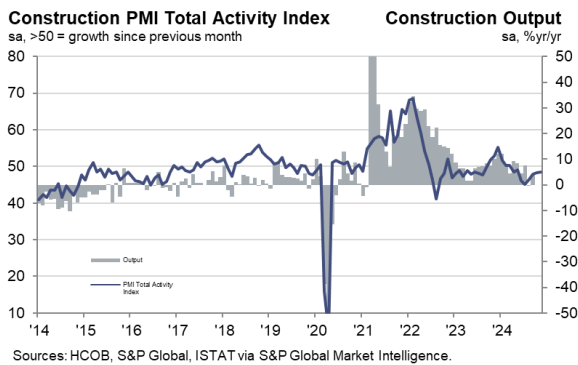
“Italy’s construction sector is treading water. According to the latest HCOB PMI survey, activity contracted slightly in November. Even though the decline was small and the least noticeable in recent months, there’s still room for growth as the new year kicks off. In contrast to the counterparts Germany and France, the situation is relatively better.

“In the commercial construction sector, activity picked up steam and grew in November after four months of decline. On the flip side, housing and civil engineering remained sluggish. Housing activity fell deeper into contraction territory following softer rates of decline in the past two months, while civil engineering continued to be the problem child, not even close to the 50 threshold that separates growth from decline.

“New orders dropped significantly after nearly stabilising in the previous month. Despite weak demand, the future outlook picked up, though it remains below the long-term average. Interestingly, construction companies increased staff for the third consecutive month, and the use of subcontractors also picked up.

“Despite decreasing demand and activity, purchasing activity neared stabilisation. While vendors took longer to supply construction companies, quantities of purchases were little changed on the month. Input price pressures remain subdued. The increased price of some raw materials continued to drive overall input costs higher, as well as subcontractor rates being elevated.”

-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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