NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Italy Construction PMI®

Italian construction sector remains just inside growth territory in February

Key findings:

Total activity rises only fractionally, weighed down by residential building

Slight increase seen in new orders placed at Italian constructors

Jobs growth accelerates and inflationary pressure creeps up

Data were collected 12-29 February 2024.

Though the Italian construction sector remained on a growth footing, February's PMI® results pointed to the softest expansion in the current five-month upward trend. With both decelerating from January, the rates at which new work and activity rose were only fractional.

Weaker activity and new order growth failed to slow hiring activity and inflationary pressure, however. Employment levels at construction firms were raised at a solid and accelerated rate in February. Meanwhile, constructors also reported harsher price inflation.

In addition, confidence levels among constructors across Italy failed to be damped by the softer expansion in demand in February. The degree of optimism was little changed on the month and remained above the long-run average.

The headline **HCOB Italy Construction Purchasing Managers' Index™ (PMI®)** – which measures month-on-month changes in total industry activity – fell in February but remained above the neutral 50.0 mark for the fifth month running. The index posted 50.3, down from 51.6 in January to signal only a fractional increase in construction activity across Italy. Firms often linked the rise in activity to increased new work intakes, with some noting the opening of new construction sites.

When split by sub-sector, residential activity weighed on the headline PMI and was the worst-performing sub-category in February. Work on housing projects decreased for the first time in six months.

Commercial activity rose moderately, jumping from worst- to best-performer on the month. Meanwhile, civil engineering activity rose only marginally in February.

For the fifth month running, incoming new contracts received by Italian construction firms rose in February. The rate of increase was only fractional, however, matching that of total activity.

As a result, companies across the sector adjusted their buying activity accordingly. The quantity of inputs purchased rose fractionally in February in line with incoming new work and construction site openings, according to anecdotal evidence. The rate of expansion was the softest in five months.

Meanwhile, suppliers' delivery times lengthened to a notably lesser degree than in January. Nevertheless, the deterioration in vendor performance, reportedly driven by difficulties in sourcing raw materials, remained more marked than the historic trend.

Despite recording softer increases in new orders and activity, Italian constructors raised staffing levels at an accelerated pace in

February. Overall, the rate of jobs growth was solid.

The slowdown in demand failed to soften cost inflation in February. Panellists blamed the latest input price rise on higher raw material costs. Although price pressures were sharply elevated in February, the rate cost inflation remained below the historic average.

Looking ahead, firms across the Italian construction sector remained confident that activity levels would rise over the coming year. New incoming orders and the opening of construction sites were some of the main drivers of optimism in February. Furthermore, the degree of positive sentiment was largely in line with that of January and therefore remained above the historic average.

Comment

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

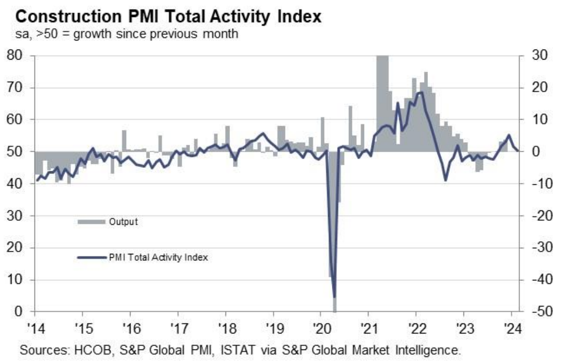
“The Italian construction sector is teetering on the brink of recession. February's HCOB PMI managed to stave off contraction posting at 50.3, but this marks a significant drop of 1.3 points compared to the previous month. Despite a robust 9.2% year-on-year growth in construction output in December reported by ISTAT, the latest PMI suggests a looming downturn in the sector in the coming months.

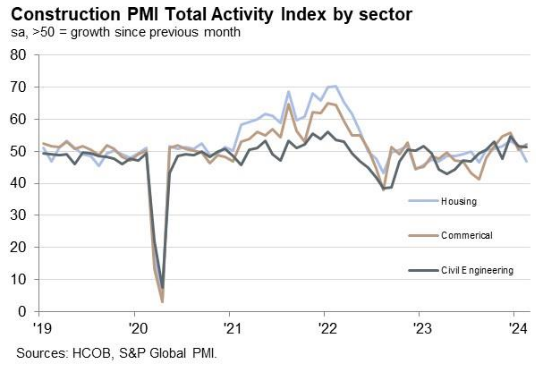
“A bright spot among the sub-indices is commercial activity. Residential construction activity took a particularly hard hit this month, with high refinancing costs appearing to have a significant impact. Civil engineering construction activity slowed minimally compared to the previous month, maintaining its growth trajectory.

“A stagnant construction sector is grappling with high prices. Input costs across the Italian construction sector continued to rise as if there were a surge in demand. Subcontractor rates are also on the rise, albeit at a slightly reduced rate compared to the previous month.

"The Italian construction sector is optimistic about the future for now. While new orders have reached a plateau, there is notable optimism in employment, which after a strong previous month improved further. Future activity remains above its historical average. However, with interest rates expected to decline later than anticipated and ongoing disruptions in the Red Sea, optimism may soon fade.”

-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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