

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Italy Construction PMI®

Italian construction sector remains stuck in a downturn

Key findings:

- Sustained, but softer contraction in total building activity
- Sharpest drop in new orders for two years
- Confidence moderates to lowest since August 2022

Data were collected 12-30 August 2024.

Italian construction activity contracted again, according to the latest HCOB PMI® data, but at the slowest rate since May.

Meanwhile, the trend for orders continued on a downward trajectory in August, to signal the fastest decrease in new work seen since the same month two years ago. As a result, purchasing activity and employment numbers were both reduced further and confidence towards future activity also dropped to a two-year low.

The headline **HCOB Italy Construction Purchasing Managers' Index™ (PMI®)** – which measures month-on-month changes in total industry activity – registered at 46.6, up from a near two-year low of 45.0 in July.

The latest decrease in building activity in Italy marked the fifth successive monthly downturn, linked by panellists to subdued order book volumes. The rate of contraction was solid, the slowest for three months.

More granular sub-sector data revealed that the downturn was again broad-based. The rate of decline did, however, slow across all three sectors monitored. Again, residential activity placed at the bottom of the rankings, while commercial activity placed top.

Central to the sustained decline in activity was a further decrease in incoming new orders across the sector. Moreover, the rate of contraction hit a two-year high and was marked overall. Survey respondents reported a drop in new contracts and the number of bids.

In response, Italian constructors further pared back purchasing activity in August, at a pace similar to that seen in July. Where firms did buy inputs, delivery times shortened, marking the first improvement in vendor performance since October 2012.

Nevertheless, input costs rose again in August, thereby continuing the trend of inflation seen since June 2020. Cost pressures were strong and the most pronounced for three months, amid reports of hiked raw material prices.

A weak pipeline of new work led firms to reduce their headcounts on site in August. Though only marginal, the latest drop in workforce numbers was the second-quickest for nearly two years, only slower than that seen in May. Companies opted not to replace leavers, according to panel member reports.

Looking ahead, Italian construction companies expressed only weak optimism towards a potential rise in activity from present levels over the coming year. Any optimism typically stemmed from new contracts. The degree of confidence was the lowest for two years, as some firms expressed uncertainty towards the future.

Comment

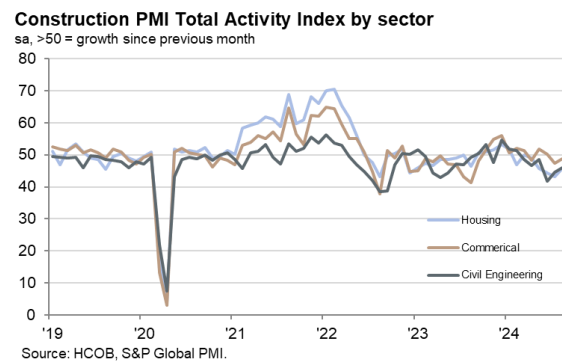
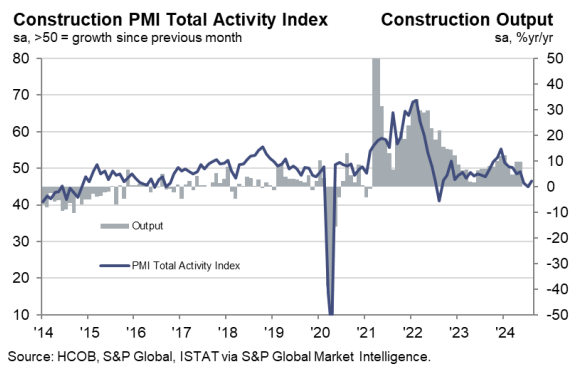
Commenting on the PMI data, Dr Tariq Kamal Chaudhry, Economist at Hamburg Commercial Bank, said:

“Italy’s construction sector remains mired in recession. The HCOB PMI for construction edged up slightly in August to 46.6, yet it still sits below the critical expansion threshold that indicates growth, to signal ongoing contraction. Softer downturns across all three monitored sectors led to a 1.6-point improvement in the Total Activity figure from the previous month. However, activity in the housing and civil engineering sub-sectors remain at worryingly low levels, underscoring the sector’s ongoing struggles.

“Italian construction firms continued to grapple with high input costs. Weak demand in the sector has done little to alleviate cost pressures. Both input costs and subcontractor rates have risen further compared to July. Surveyed companies attributed increased prices to higher raw material costs, highlighting the persistent challenges faced by the industry amidst an inflationary environment.

“Italian construction firms are looking ahead with little optimism. The situation remains tense as purchasing volumes declined notably and new orders contracted sharply. The Future Activity Index also posted well below the historical average. Opinions among companies about the outlook are mixed: some are optimistic due to potential new contracts, while others remain wary given the uncertainty surrounding the Superbonus scheme. Amid these challenges, the sector has reduced payroll numbers again, despite a nationwide shortage of labour.”

-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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