

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Italy Construction PMI[®]

Sharpest drop in Italian construction activity for 22 months

Key findings:

Incoming new orders fall at quickest pace for nearly a year-and-a-half

Total activity decreases solidly and for third month in a row

Sharp drop in input purchases sees cost pressure cool

Data were collected 12-28 June 2024.

Weak demand weighed on the performance of the Italian building sector in June. Order book volumes were down again, with the decline the sharpest for 17 months. Total activity fell at a solid and accelerated pace, with two of the three monitored sub-sectors registering declines at the end of the quarter. This led firms to scale back their purchasing activity.

On a positive note, inflationary pressures cooled and jobs growth was renewed.

The headline **HCOB Italy Construction Purchasing Managers' Index[™] (PMI[®])** – which measures month-on-month changes in total industry activity – posted below the crucial 50.0 no-change mark, to signal a further decrease in activity and thereby continue the trend of decline seen in the other months of the second quarter. The index dropped from 49.0 in May to 46.0, to mark the fastest contraction for 22 months, though one that was only moderate overall.

According to anecdotal evidence, the decline in activity followed a reduction in demand for building work, with some panellists feeling the impact of the ending of the superbonus scheme.

June data revealed a sharp drop in residential construction activity that was the quickest for a year-and-a-half. The fastest decline in output was seen for civil engineering activity, which fell at a substantial rate in June.

Despite rising only fractionally in June, commercial activity was the only sub-category of construction to record growth.

Driving the downturn in total activity was a sustained decline in order book volumes in June. Panel members blamed the weak demand environment and reduced tax incentives for the slowdown. Overall, the contraction was solid and the fastest seen for nearly a year-and-a-half.

As Italian constructors had reduced input requirements, their purchasing quantities decreased. Input buying dropped for the fourth month running in June and at the quickest rate since last August. Meanwhile, delivery times on inputs lengthened to a stronger degree, as some firms noted supply chain issues.

Following a reduction in demand for inputs, costs pressure faced by Italian constructors eased at the end of the quarter. Input prices rose at a moderate pace that was the slowest for just over a year and reflected increased raw material costs.

After having registered job shedding for one month in May, constructors across Italy added to their staffing levels again in June. Though only a marginal increase in payroll numbers, it was the sharpest seen in the quarter. Some companies mentioned that the opening of new sites led them to increase their headcounts. Others noted a preference for full-time workers, a trend

supported by a renewed decline in subcontractor usage in June.

Looking ahead, June survey data pointed to a weaker degree of optimism among Italian construction firms toward future activity levels, as some remained concerned that demand conditions would not pick up. Nevertheless, the optimists outweighed the pessimists (27% to 16%). Confidence was typically linked to forecast new client wins and expectations surrounding incoming new work.

Comment

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

“A recovery in the Italian construction sector is effectively off the table. The HCOB Italy Construction Total Activity PMI Index in June 2024 was at 46.0, the weakest since August 2022. The downward trend spanned across all sub-sectors. While commercial activity barely stayed in expansion territory, thus avoiding contraction, activity in both the residential and civil engineering sub-sectors can only be described as dismal.

“There is little to cheer about in the Italian construction sector. Construction companies continue to experience rising input prices, however, inflationary pressure has eased, a trend that has emerged in 2024. Another positive aspect is the renewed rise in employment across the sector, but this could be a reflection of the skilled labour shortage and demographic changes rather than a promising outlook for the future.

“Italian construction companies are feeling the impact of the ending of the superbonus scheme. Firms saw a significant drop in new order intakes, which unsurprisingly led to a marked reduction in purchasing volumes. Anecdotal evidence pointed to some uncertainty among customers, particularly due to the reduction of tax incentives in the superbonus program. Following elevated confidence in the five months prior, the degree of optimism towards future activity dipped notably in June, falling below the historical average. No sector is likely looking more eagerly towards Frankfurt and the ECB than the construction sector, as substantial interest rate cuts are urgently needed.”

-Ends-

Construction PMI Total Activity Index

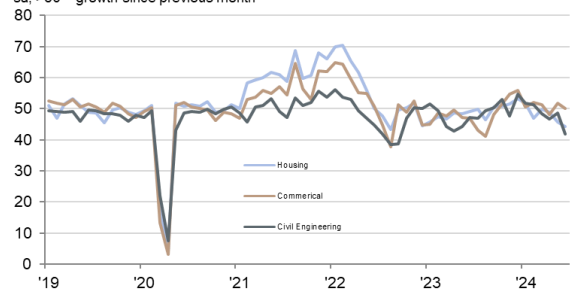
sa, >50 = growth since previous month



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

Construction PMI Total Activity Index by sector

sa, >50 = growth since previous month



Sources: HCOB, S&P Global PMI.

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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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