NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Italy Construction PMI®

Construction activity down again in Italy

Key findings:

Total activity decreases at softer rate

Slowest decline in new business since May

Renewed jobs growth as business expectations pick up

Data were collected 12-30 September 2024.

Though the Italian construction sector remained stuck in a downturn in September, there were tentative signs that conditions were improving. Compared to August, the rate of decline in new orders was far less pronounced, which in turn led to a slower decrease in total activity. Meanwhile, employment levels were raised after two successive months of cuts, albeit only marginally. Firms also expressed greater confidence toward future activity levels in September.

The headline **HCOB Italy Construction Purchasing Managers' Index™ (PMI®)** – which measures month-on-month changes in total industry activity – rose from 46.6 in August to 47.8 in September. Despite remaining in contraction territory, the rate of decline was the softest seen for four months.

While all three sub-sectors monitored by the survey signalled lower activity again in September, civil engineering posted the quickest decline and one that was solid overall. Meanwhile, commercial and housing activity both fell at equally modest rates.

The sustained drop in activity levels across the Italian construction sector coincided with a further decrease in incoming new orders at the end of the third quarter, linked by panellists to muted demand for construction work. Having registered the sharpest decline for two years in August, the pace of reduction eased to its softest since May. There were signs of the downturn easing and some firms even mentioned receiving greater interest from customers.

Glimmers of positivity fed through into firms' expectations towards the year-ahead outlook for construction activity in September. The degree of confidence rose from August's two-year low to its strongest for three months. In anecdotal evidence, firms were confident of a rise in new orders, with some expecting activity levels to rise due to contracts already signed. However, in the broader context of the survey's history, confidence levels were still subdued.

At the same time, Italian constructors opted to raise their headcounts marginally in September, thereby ending a two-month run of job cuts. Firms frequently mentioned hiring new workers on fixed-term contracts, while sub-contractor usage dropped again.

Elsewhere, firms continued to cut back their spending on inputs in line with the sustained decline in incoming new work. The rate of decline eased notably on the month, however, and was only fractional.

There were ongoing signs of eased capacity pressure at suppliers in September, as average lead times shortened for a second month in a row. The degree to which vendor performance improved was largely in line with that of August, and was the most pronounced since July 2010.

Finally, where firms did purchase inputs, cooler cost pressures were signalled. Though moderate, input price inflation in

September was the least pronounced seen across the third quarter. That said, some firms did report higher transport costs and raw material prices.

Comment

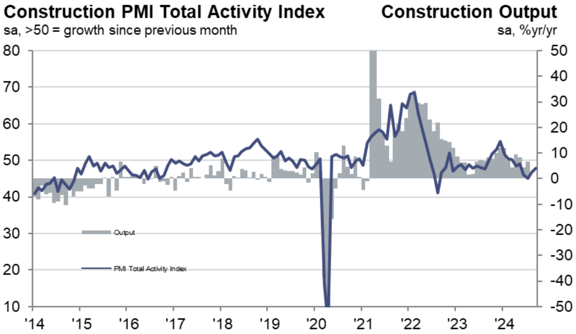
Commenting on the PMI data, Jonas Feldhusen, Junior Economist at Hamburg Commercial Bank, said:

“Activity worsens, yet there are slight signs of hope in Italy’s construction sector. For the second consecutive month, the Business Activity Index for Italy’s construction sector has increased, though it remains in recession territory, with the headline index rising from 46.6 to 47.8 points. The key driver behind this development is new orders contracting but at a slower pace. The latest PMI data could be interpreted as a step in the right direction, with some panellists even reporting increasing demand. Recent interest rate cuts by the ECB likely supported this trend. However, caution is advised, as more data over the next months are required to identify a clear trend. Residential construction contracted, but only modestly. Commercial construction and civil engineering dropped further and at similar rates to those seen in August.

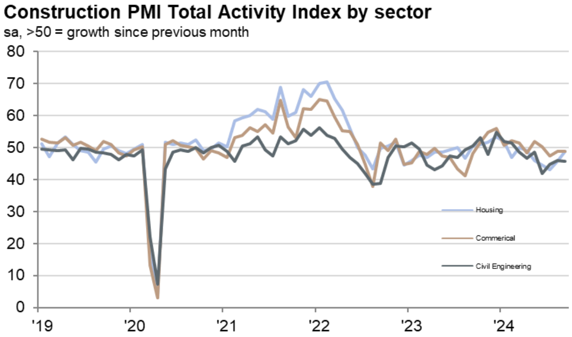
“With respect to purchases of materials, the overall volume remained almost constant compared to the month before. This marks a significant improvement as it stops the fall in purchases seen over the last few months. Encouragingly, input delivery times shortened slightly once again, while input prices rose at a slower rate compared to August, providing some relief for construction firms.

“Demand conditions continued to soften, reflected not only by the fall in new orders but also in the reduced usage of subcontractors for the fourth consecutive month. Despite this, subcontractor availability remains constrained, while they continue to command higher fees.”

-Ends-



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



Source: 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

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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