NEWS RELEASE
MARKET SENSITIVE INFORMATION
Embargoed until 0930 CEST (0730 UTC) 6 August 2024

HCOB Italy Construction PMI®

New orders placed at Italian construction firms down sharply in July

Key findings:

Activity and new orders both contract at quickest rate for 23 months

Fastest decrease in purchasing activity for a year-and-a-half

Cost pressures intensify and optimism fades

Data were collected 11-31 July 2024.

The Italian construction downturn deepened at the start of the second half of the year. Firms reduced their activity in line with subdued new order inflows, both of which fell at the quickest rates for nearly two years.

There were signs that firms were looking to protect cashflow in July as purchasing activity was reduced at the quickest rate for 18 months and job shedding returned, albeit only marginally. Stronger cost pressures were also likely to have deterred firms from buying additional inputs.

The headline **HCOB Italy Construction Purchasing Managers' Index™ (PMI®)** – which measures month-on-month changes in total industry activity – slid further into contraction territory at the start of the second half of the year.

Down from 46.0 in June to 45.0 in July, the headline figure pointed to the sharpest reduction in activity seen for nearly two years. The marked downturn was largely linked by panellists to subdued construction demand.

Following a renewed drop in commercial building activity, all three monitored sub-sectors of construction recorded declines in July. Most notably, the main drag on total activity was residential building which fell sharply and at the quickest since the first pandemic lockdown.

Italian construction firms faced challenging demand conditions as the downward trend for new orders deepened again in July. A quarter of firms registered a drop in new work, compared to 16% recording an improvement. As well as being marked, the deterioration picked up to a near two-year high. Some firms in particular blamed a drop in new public tenders.

Companies meanwhile adjusted their purchasing quantities in line with reduced activity schedules in July. The latest decrease in input buying was strong and the most pronounced for a year-and-a-half. Where firms purchased inputs, delivery times lengthened again in July. The deterioration reflected constraints at suppliers, according to panel member reports.

Despite the reduced demand for inputs, cost burdens picked up in July. Input price inflation was strong and linked to increased raw material costs. That said, cost inflation remained subdued by historical standards.

Employment was another area in which construction firms looked to cut costs in July. Though only fractional, the recent round of job shedding was the second this year so far. Notably, the usage of subcontractors also dropped at the strongest rate seen for 22 months.

Finally, sentiment towards future activity among Italian constructors was notably less positive at the start of the second half of the year. The degree of optimism was its weakest for nearly two years. Some firms were confident that demand conditions would improve, while others were doubtful.

Comment

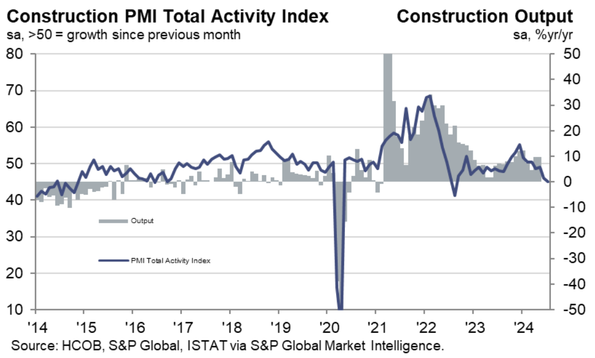
Commenting on the PMI data, Jonas Feldhusen, Junior Economist at Hamburg Commercial Bank, said:

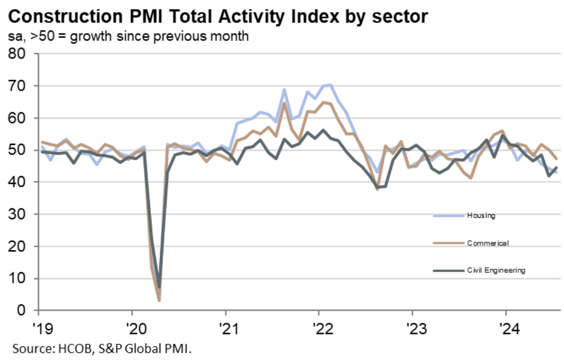
"The latest HCOB PMI data signalled a weak start to the second half of the year for Italy's construction sector. The primary factor driving this downturn was collapsing demand. July marks the fourth consecutive month of declining demand, with the rate of decline accelerating for the second consecutive month, as indicated by the New Orders Index. Correspondingly, companies are reducing their purchases of intermediate goods. It is therefore unsurprising that the utilisation of subcontractors is declining, reaching nearly a two-year low. Subcontractor rate increases have somewhat cooled down. All these factors contribute to plunging sentiment in the construction industry.

"The contraction across Italy's construction sector was broad-based, affecting all monitored sub-sectors. The housing sector experienced the most severe downturn, with activity levels dropping at the fastest pace seen since the height of the pandemic. The commercial and civil engineering sub-sectors are also facing grim conditions. The commercial sub-sector, after two months of marginal growth, has now re-entered contraction territory. The civil engineering sub-sector has been contracting for five months.

"After the end of the Superbonus program, the situation in Italy's construction sector is exacerbating. While we anticipate another interest rate cut by the ECB in September, which would naturally benefit the construction sector, it is doubtful that this decision will provide a significant boost. Therefore, we expect the recession in the construction sector to persist."

-Ends-





Contact

Hamburg Commercial Bank AG
Jonas Feldhusen
Junior Economist
T: +49-151-2294-2945
jonas.feldhusen@hcob-bank.com

Katrin Steinbacher
Head of Press Office
Senior Vice President
T: +49-40-3333-11130
katrin.steinbacher@hcob-bank.com

S&P Global Market Intelligence
Eleanor Dennison
Economist
T: +44-1344-328-197
eleanor.dennison@spglobal.com

Sabrina Mayeen
Corporate Communications
T: +44-796-744-7030
sabrina.mayeen@spglobal.com

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.

Hamburg Commercial Bank aligns its activities with established ESG (Environment, Social, and Governance) criteria and has anchored sustainability aspects in its business model. It supports its clients in their transition to a more sustainable future.

The bank's specialists are as experienced as they are pragmatic. They act in a reliable manner and at eye level with their customers. They provide in-depth advice in order to jointly find efficient solutions that are a perfect fit – for complex projects in particular. Tailor-made financing, a high level of structuring and syndication expertise and many years of experience are just as much a hallmark of the bank as are our profound market and sector expertise.

S&P Global (NYSE: SPGI)

S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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

Disclaimer