

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:45 (CET) / 07:45 (UTC), September 3<sup>rd</sup> 2018**

## IHS Markit Italy Manufacturing PMI<sup>®</sup>

### Manufacturing sector heads towards stagnation in August

#### Key points:

- Concurrent falls in both output and new orders
- Jobs growth weakens to lowest in nearly two years
- Expectations slump to weakest since May 2013

Data collected August 13-23

Italy's manufacturing sector eased towards stagnation during August. Both output and new orders were lower, undermined by weak domestic demand, whilst employment increased to the weakest degree since September 2016. Cost pressures remained elevated, but pass through to clients was limited by soft market conditions. Expectations were at their lowest for over five years.

The headline IHS Markit Italy Manufacturing *Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>)* – a single-figure measure of developments in overall business conditions – weakened to 50.1 during August, down from 51.5 in July. Posting a level consistent with near stagnation, the latest PMI reading was the lowest in two years.

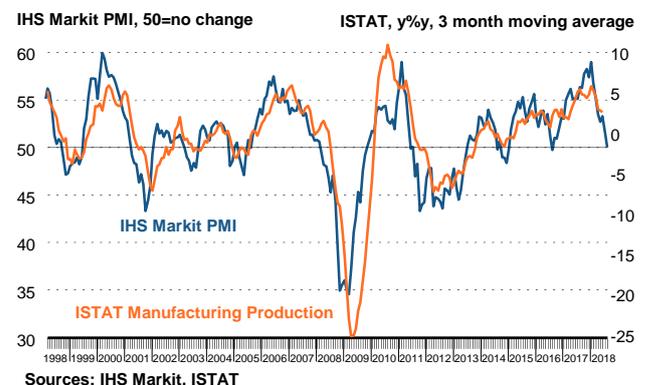
Sector performance was undermined by a weakening domestic market in August. This led to a fall in new orders for the first time in two years and a slight decline in production (which brought a 43-month run of output expansion to an end).

Latest market group data indicated net reductions in production and new orders in both the intermediate and investment goods sectors, compared to marginal growth in consumer goods.

On the trade front, Italian manufacturers indicated another rise in new export orders, although growth was the weakest in the current 68-month sequence of expansion.

In spite of the weakening trends in output and new orders, manufacturers again added to their staffing levels in August, generally as part of wider company expansion plans.

#### IHS Markit Italy Manufacturing PMI



That said, employment growth was the weakest recorded in nearly two years.

Staff were added at a time of increasing signs of excess capacity in the sector. Backlogs of work declined during August to the greatest degree in nearly five-and-a-half years, according to the latest survey data. Meanwhile, stocks of finished goods rose for a second successive month. Back-to-back monthly increases in inventories have not been recorded since late 2014.

On the price front, rising raw material prices continued to add to manufacturer's cost burdens during August. Despite easing slightly to a three-month low, input price inflation remained elevated. In contrast, output prices rose at a modest and noticeably slower rate (the weakest in over a year). There were even some reports of discounting to help flagging demand.

Meanwhile, purchasing activity fell in line with softer trends for output and new orders. The fall in buying was the greatest since April 2013 as firms indicated a preference for utilising stocks in production.

Finally, concerns over future global trading conditions, particularly in relation to the USA, undermined confidence in August. Expectations were the lowest recorded since May 2013.

## Comment:

Paul Smith, Economics Director at IHS Markit which compiles the *Italy Manufacturing PMI*® survey, said:

*“August saw the continuation of this year’s general trend of slowing growth, with latest data now consistent with a broad stagnation of the manufacturing sector.*

*“At current levels, the PMI data suggest industry may well provide a net negative contribution to wider GDP levels in the third quarter of the year.*

*“With concerns that tensions over future global trading conditions will continue to build over the coming months and weigh on exports, expectations amongst manufacturers for output in the next year subsequently weakened in August to the lowest since May 2013.*

*“Sharply falling backlogs, rising warehouse inventories and anecdotal evidence of a soft domestic market also point to further weakness in output and jobs growth in the coming months.*

*“Unless we see a pick-up in demand – be it from at home or abroad – the recent trends in the data raise the spectre of the sector tipping into technical recession during the second half of 2018.”*

-Ends-

## For further information, please contact:

### IHS Markit

Paul Smith, Director  
Telephone +44 1491 461 038  
Email [paul.smith@ihsmarkit.com](mailto:paul.smith@ihsmarkit.com)

Joanna Vickers, Corporate Communications  
Telephone +44 207 260 2234  
Email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

### Notes to Editors:

The IHS Markit Italy Manufacturing PMI Report is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by Standard Industrial Classification (SIC) group, based on the industry contribution to Italy GDP, and by company workforce size.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The IHS Markit Italy *Manufacturing Purchasing Managers' Index*® (PMI®) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

The *Purchasing Managers' Index*® (PMI®) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### About IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2018 IHS Markit Ltd. All rights reserved.

### 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. To learn more go to <https://ihsmarkit.com/products/pmi.html>

The intellectual property rights to the Italy Manufacturing PMI® provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

If you prefer not to receive news releases from IHS Markit, please email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com). To read our privacy policy, [click here](#).