

Embargoed until 0945 CET (0845 UTC) 3 February 2020

IHS MARKIT ITALY MANUFACTURING PMI®

Output continues to fall, but rate of decline softens

KEY FINDINGS

Slower reductions in output and new orders

Input prices stabilise

Business confidence at 20-month high

The Italian manufacturing sector remained in contraction territory at the start of 2020, but there were signs of stabilisation. Output, new orders and employment all fell at weaker rates than in December and business confidence improved. Meanwhile, input costs were broadly unchanged and output prices rose for the first time in three months.

The headline IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI®) – a single-figure measure of developments in overall business conditions – rose to 48.9 in January, up from 46.2 in December. Although signalling a sixteenth successive deterioration in the health of the Italian manufacturing sector, the latest reading pointed to a more moderate decline. In fact, the deterioration was the weakest since May 2019.

As has been the case throughout the past year-and-a-half, Italian manufacturers recorded a drop in production during January. That said, the fall was the softest since last September. According to respondents, falling new orders were central to the latest reduction in output.

Production continued to fall in the intermediate and investment goods sectors, with the rate of contraction particularly marked in the latter. On a more positive note, output returned to growth at consumer goods firms.

Total new business decreased again as market demand continued to deteriorate. There was also a reduction in new export orders, with some firms highlighting weakness in the global automotive market. In both cases, however, rates of contraction eased from the marked paces seen in the previous month.

With new orders continuing to fall, firms were able to

Italy Manufacturing PMI
sa, >50 = improvement since previous month



concentrate on completing outstanding business. As a result, backlogs of work fell solidly in January.

Manufacturers used the non-replacement of leavers to lower staffing levels for the eighth month running. That said, the rate of job cuts was only marginal, having softened to the weakest since last August.

Firms showed a reluctance to hold inventories at the start of the year, with stocks of both purchases and finished goods falling. The decline in post-production inventories was solid and the fastest since October 2017, with lower production volumes reportedly contributing to the fall.

Stocks of purchases decreased alongside a reduction of input buying, the nineteenth in as many months. Meanwhile, suppliers' delivery times lengthened for the first time since August last year.

Input costs stabilised in January, after having decreased in each of the previous four months. There were some reports from panellists of higher raw material costs. These increases, with copper mentioned in particular, led manufacturers to raise their own selling prices for the first time in three months. That said, the rate of inflation was only marginal.

Signs of demand stabilising at the start of the year contributed to a pick-up in confidence regarding the 12-month outlook for production. Optimism was the strongest since May 2018, with the launch of new products and expected improvements in new export orders also supporting sentiment.

COMMENT

Andrew Harker, Associate Director at IHS Markit, which compiles the Italy Manufacturing PMI survey, commented:

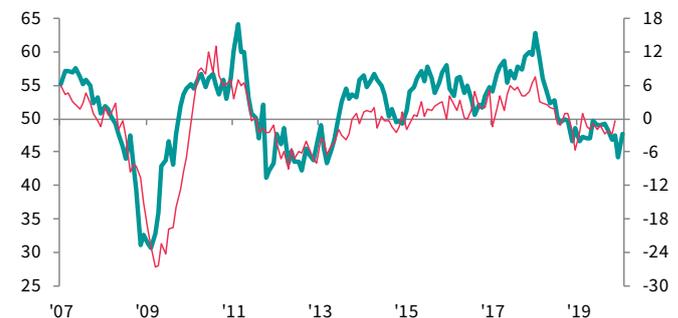
"The new year brought with it familiar challenges for the Italian manufacturing sector, with the latest PMI survey signalling a further deterioration in market demand. Ongoing weakness meant that firms were reluctant to increase output, take on extra staff or have cash tied up in inventories, resulting in declines across all of these metrics.

"There were some reasons for optimism in the latest findings, however. The rate of contraction in output softened from that seen in December, which had been the sharpest in almost seven years. Meanwhile, firms reported some signs of improvement in demand conditions and business confidence hit a 20-month high.

"Firms will hope, therefore, that the difficult opening to 2020 gives way to signs of recovery by the end of the first quarter."

Output Index

sa, >50 = growth since previous month



Source: IHS Markit, ISTAT.

CONTACT

IHS Markit

Andrew Harker
Associate Director
T: +44-1491-461-016
andrew.harker@ihsmarkit.com

Katherine Smith
Corporate Communications
T: +1 781-301-9311
katherine.smith@ihsmarkit.com

Methodology

The IHS Markit Italy Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

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 Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times index is inverted so that it moves in a comparable direction to the other indices.

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.

January 2020 data were collected 13-24 January 2020.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Disclaimer

The intellectual property rights to the data 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.

About IHS Markit

IHS Markit (NYSE: 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 © 2020 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, click here.

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 [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).