News Release

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IHS MARKIT ITALY MANUFACTURING PMI®

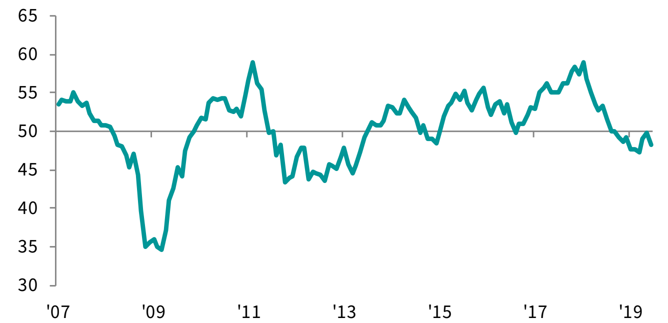
Italian manufacturing operating conditions deteriorate for ninth consecutive month in June

KEY FINDINGS

Output and new orders fall for eleventh month in a row

Export sales decline at fastest pace since August 2012

First decline in input costs since August 2016



The downturn in the Italian manufacturing sector continued in June as firms recorded an eleventh consecutive decline in both output and new orders. The rate of deterioration in operating conditions was the most marked since March whilst export sales contracted at the fastest pace since August 2012. Meanwhile, input costs declined for the first time since August 2016, amid lower raw material prices.

The headline IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI®) – a single-figure measure of developments in overall business conditions – registered 48.4 during June to signal a modest deterioration in overall business conditions. Down from 49.7 in May, the index was below the critical 50.0 no-change mark for the ninth consecutive month and at its lowest overall level since March.

For the fourth month running, the consumer goods sector was the only category to see an improvement in operating conditions, whilst intermediate and investment goods producers recorded further deteriorations. Moreover, output, new orders and employment declined across the intermediate and investment goods sectors during June.

Central to the faster decline in the headline PMI was a less positive demand picture for manufacturers. Inflows of overall new business decreased for the eleventh consecutive month and at the fastest pace in three months. Moreover, export sales continued to fall in June, with the latest reduction the most marked since August 2012. Panellists indicated a worsening of foreign demand conditions, especially in the Turkish and Middle Eastern markets.

Manufacturing output declined again in June, extending the current sequence of contraction to 11 months. Despite being modest, the rate of contraction quickened from May. Anecdotal evidence attributed the decline in production to reduced overall customer orders and a slowing Italian economy.

In line with the contractions in output and new orders, Italian manufacturers reduced their payroll numbers in June. The rate of job shedding was solid and the fastest in five months, as firms reduced their capacity in response to softer demand requirements. As a result, firms were able to keep on top of their workloads as signalled by a further reduction of incomplete business in June. The rate of backlog depletion was sharp and the fastest since August 2018.

Manufacturers decreased their input buying again during June marking one year of falling purchasing activity. The rate of contraction was marked and quickened form May. The lack of supply chain pressure fed through to vendors as supplier delivery times decreased at the fastest pace since August 2012.

For the first time since August 2016, input costs fell in June, amid reports of lower raw material prices. The decline in cost burdens was the most marked in 38 months. In contrast output charge inflation quickened from May to a three-month high.

Finally, business expectations remained in positive territory, although overall sentiment dipped slightly from May. Forecasts of greater customer numbers and new product investments were cited by panellists as reasons to be optimistic.

PMI® By IHS Markit

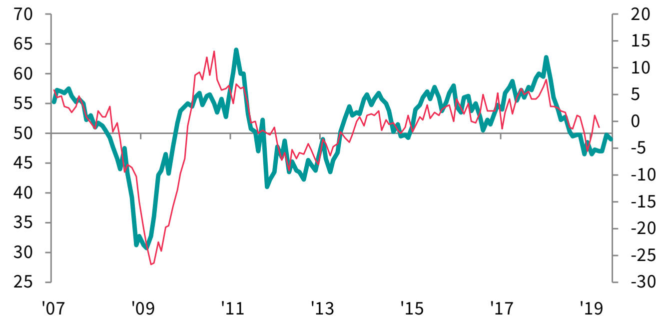
COMMENT

Amritpal Virdee, Economist at IHS Markit, which compiles the Italy Manufacturing PMI survey, commented:

"The Italian manufacturing sector ended the second quarter of 2019 in a challenging place, with PMI data signalling the ninth straight deterioration in business conditions. Latest data are consistent with a slight contraction in year-on-year manufacturing production.

"Output, employment and purchasing activity all fell in June, painting a bleak picture for the health of Italy's manufacturing economy. Improvements in demand look unlikely to come to the rescue with new business from both domestic and foreign markets declining. The latter posted the most marked contraction since August 2012.

"There is a brightspot, however, in the first decline in input costs since August 2016. If continued, the moderation in cost burdens could create space for more competitive pricing and fuel an up-tick in demand as we move through the second half of 2019."



Source: IHS Markit, ISTAT.

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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.

June 2019 data were collected 12-21 June 2019.

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

About IHS Markit

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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. To learn more go to ihsmarkit.com/products/pmi.html.