News Release

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IHS MARKIT ITALY MANUFACTURING PMI®

Italian manufacturing conditions deteriorate at fastest pace in six months

KEY FINDINGS

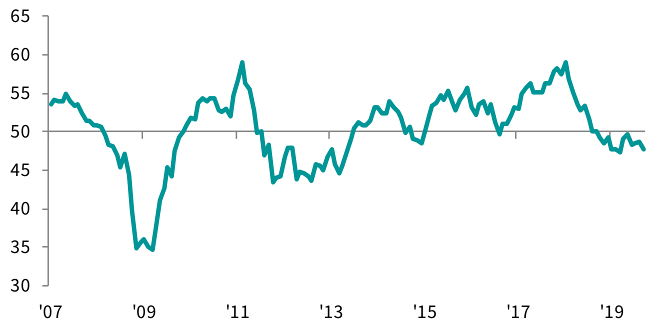
Output and new orders fall for fourteenth month in a row

Input prices and output charges decrease

Business confidence at nine-month low

Italy Manufacturing PMI

sa, >50 = improvement since previous month



Manufacturing conditions in Italy worsened to the greatest extent in six months during September, as a sharp reduction in new orders led to a further decline in production. Output has now decreased for 14 months in a row, with the latest reduction the fastest since April. Input costs decreased due to lower raw material prices such as cotton and steel. Meanwhile, business confidence sank to a nine-month low amid worries over the automotive sector, in particular.

The headline IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI®) – a single-figure measure of developments in overall business conditions – posted 47.8 in September, down from 48.7 in August to signal the sharpest deterioration in business conditions in six months. Operating conditions have now worsened in each month throughout the past year.

At the sector level, the worsening of business conditions was led by investment goods firms, with only the consumer goods category registering an improvement in September. That said, output growth was resumed at intermediate goods producers with the first increase in output since June 2018. Investment goods producers continued to post sharp falls in output, new orders, export sales and purchasing activity.

Weighing on the overall PMI figure were declines in both output and new orders. Latest data indicated that manufacturing output fell in September at a moderate pace that was the fastest since April.

Manufacturers indicated that worsening demand conditions continued to undermine overall order books. Total new business decreased for the fourteenth successive month and at the quickest rate in six months. Furthermore, panellists recorded a decrease in export sales in September, amid reports of weaker demand from European and US customers.

In line with the reductions seen in output and new orders, Italian manufacturers decreased their workforce numbers in September. Although marginal, the fall in headcounts was faster than seen in August and marked the fourth successive monthly decrease. Firms attributed the reduction in employment to lower customer orders. Meanwhile, backlogs of work fell for the eighteenth month running and at the fastest pace since August 2018.

Italian manufacturers decreased their purchasing activity for the fifteenth successive month in September. The rate of contraction was steep and the same as in August. The easing of pressure on supply chains contributed to the fourth improvement in vendor performance in the past five months.

Both input prices and output charges decreased in September. Lower raw material prices for items such as cotton and steel were noted. Output charges decreased, as some manufacturers sought to stimulate customer orders.

Confidence among Italian manufacturers regarding the year ahead outlook for output weakened to a nine-month low in September. That said, the overall degree of sentiment was positive, with new product launches and hopes for improvements in overall demand conditions cited as reasons to be optimistic.

PMI® By IHS Markit

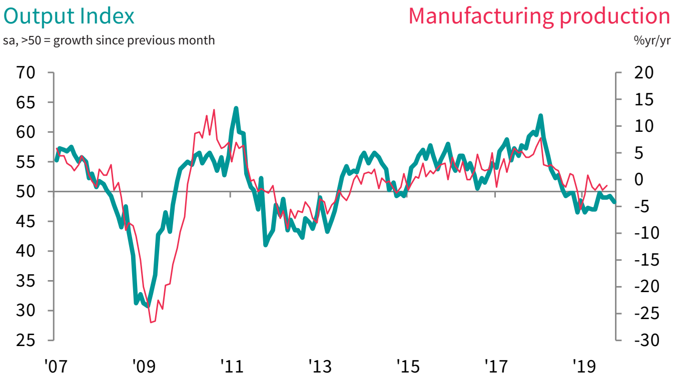
COMMENT

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

“Italy's manufacturing sector showed no sign of turning the corner in September, with the downturn in order books extending to a fourteenth straight month and gathering pace from August. A number of factors continued to undermine demand, particularly a very weak export climate, predominately affecting the capital goods sector.

"The downturn appears to be entrenched with further declines in employment and purchasing activity recorded in September. On the stocks front, both pre- and post-production inventories fell, indicating little confidence from firms that growth will be forthcoming. Moreover, the survey's only forward-looking indicator, the Future Output Index, sank to its lowest in nine months, amid concerns over the automotive market.

"As such, latest PMI data suggest that the manufacturing economy is limping towards the final quarter of the year and, on its current trajectory, will end up smaller than when it entered the downturn in early-2018."



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.

September 2019 data were collected 12-23 September 2019.

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