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IHS MARKIT ITALY MANUFACTURING PMI®

Italian manufacturing operating conditions deteriorate at softer pace in April

KEY FINDINGS

Output and new orders fall for ninth month in a row

Export business grows at fastest pace since June 2018

Job creation strongest since October 2018

The downturn in the Italian manufacturing sector continued in April as firms recorded a ninth consecutive decline in both output and new orders. That said, the rate of deterioration in operating conditions softened to the weakest in four months. New business from abroad rose at the fastest pace since June 2018 and, in anticipation of greater customer demand over the coming months, payroll numbers expanded at the quickest rate since October 2018.

The headline IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI®) – a single-figure measure of developments in overall business conditions – registered 49.1 during April to signal the softest deterioration in overall business conditions in four months. Despite rising from 47.4 in March, the index was below the critical 50.0 no-change threshold for the seventh month in a row.

For the second 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.

Central to the softer decline in the PMI was a more positive demand picture for manufacturers. Despite falling for the ninth consecutive month, the rate of contraction in new orders was the weakest of the year so far. Export sales, on the other hand, increased at the fastest pace since June 2018. Panellists indicated an overall improvement in overseas demand conditions, especially from German customers.

Nonetheless, manufacturing output declined for the ninth month in a row during April. The rate of contraction was

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



marked and quickened from March to the fastest pace in three months. Anecdotal evidence attributed the decline in production to reduced overall customer orders and a slowing Italian economy.

Despite contractions in output and new orders, Italian manufacturers continued to expand their payroll numbers in April. The rate of job creation was solid and the fastest since October 2018, as firms sought to bolster capacity in anticipation of greater demand requirements over the coming months. This enabled manufacturers to keep on top of their workloads as signalled by a further reduction of incomplete business in April.

Manufacturers decreased their purchasing activity for the tenth consecutive month in April. The rate of contraction was marked but eased slightly from March. The lack of pressure on supply chains did not feed through to vendors as average lead times for inputs increased for the first time since December 2018.

Driven by greater raw material prices, input cost inflation rose at the fastest pace in four months. In contrast, output charge inflation slowed from March to a marginal level.

Finally, business expectations remained in positive territory, although overall sentiment dipped to its lowest in three months. Forecasts of greater customer numbers and investments in new products were cited by panellists as reasons to be optimistic.

COMMENT

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

“April's PMI data signalled a more positive picture for manufacturers, with softer deteriorations in operating conditions and overall new business. New export orders expanded at the fastest pace since June 2018 and employment growth was at a six-month high. If the current trends for new business continue, the stage is set for a return to growth in output over the coming months.”

Output Index

sa, >50 = growth since previous month

Manufacturing production

%yr/yr



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.

April 2019 data were collected 10-23 April 2019.

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

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