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IHS MARKIT ITALY MANUFACTURING PMI®

Operating conditions worsen again during November

KEY FINDINGS

Output and new orders decrease sharply

Steepest fall in export sales in almost eight years

Business confidence lowest since December 2012

Business conditions in the Italian manufacturing sector deteriorated for the fourteenth consecutive month in November and at the fastest pace since March. Further sharp declines in both output and new work were also recorded, whilst export sales shrank at the fastest pace in almost eight years. Meanwhile, amid concerns over weaker international demand, business confidence softened to the lowest since December 2012.

The headline IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI®) – a single-figure measure of developments in overall business conditions – registered 47.6 in November to signal the sharpest deterioration in business conditions since March. Moreover, November marked the fourteenth successive monthly deterioration in the health of the Italian manufacturing sector.

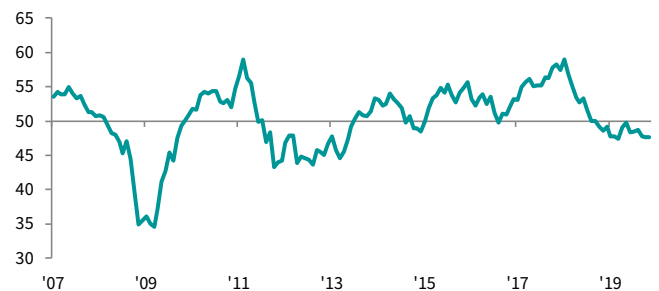
At the sub-sector level, none of the three monitored categories observed an improvement in operating conditions during November. Intermediate and investment goods producers recorded sharp deteriorations whilst consumer goods manufacturers saw no-change from October.

Central to the deterioration in the headline PMI was a sharper decrease in total new business in November. The rate of contraction was steep and quickened from October. Anecdotal evidence attributed the decline in new orders to a weak Italian economy as well as softer demand from automotive and metal customers.

The picture with respect to exports was even less positive with inflows of new business from abroad declining at the fastest pace since December 2011. Italian manufacturers saw a broad-based weakening of export sales in November, noting softer markets in Eastern Europe and the Middle East

Italy Manufacturing PMI

sa, >50 = improvement since previous month



in particular.

With order books deteriorating, November data indicated that manufacturing output decreased for the sixteenth month running. However, the rate of contraction eased slightly from October.

In line with the reductions of output and new orders, Italian manufacturers reduced their workforce numbers in November. Although marginal, the decline in headcounts was the sixth in as many months. Firms attributed the decline in employment to lower levels of customer demand. Meanwhile, backlogs of work fell for the twentieth consecutive month.

Purchasing activity also declined in November, although the rate of contraction was the weakest since May. An easing of pressure on supply chains contributed to a third successive monthly improvement in vendor performance.

Meanwhile, latest prices data showed input costs decreasing, amid reports of lower raw material prices. Output charges also fell, though the rate of decrease was modest. Manufacturers stated that they had lowered their selling prices in order to remain competitive.

Finally, amid concerns over weaker international demand, confidence towards year-ahead output weakened to the lowest since December 2012. That said, the overall degree of sentiment was still positive with hopes of a recovery in the Italian economy and new business initiatives cited as reasons to be optimistic.

COMMENT

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

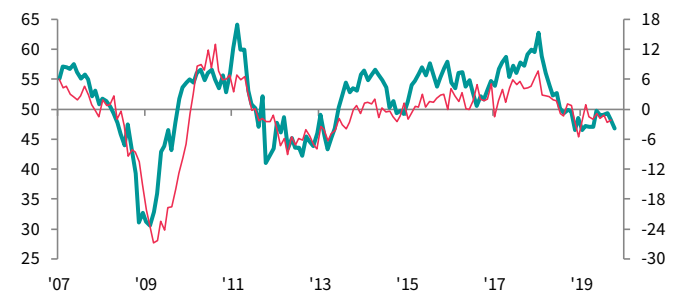
“The latest manufacturing numbers coming out of Italy continue to disappoint, with November’s PMI data showing the downturn deepening. The fall in new export orders, which fell the most in almost eight years, is a particular worry, and continued to drive cutbacks in factory output, employment and purchasing activity.

“Moreover, the entrenchment of demand contraction is starting to weigh more heavily on business confidence, which up to this point has been relatively resilient. Italian manufacturing optimism is now the third lowest since data was first collected in July 2012.

“The weakness seen for a long time across the investment and intermediate goods sectors is also showing signs of spreading to consumer products category, where firms in the sector recorded no-change in business conditions from October.”

Output Index

sa, >50 = growth since previous month



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.

November 2019 data were collected 12-22 November 2019.

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

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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).