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## IHS MARKIT ITALY MANUFACTURING PMI®

### Manufacturing conditions deteriorate at fastest rate for over six-and-a-half years

#### KEY FINDINGS

PMI at lowest level since April 2013

Further and faster falls in output and new business

Quickest rate of job shedding for over six-and-a-half years

Operating conditions in the Italian manufacturing sector continued to deteriorate in December, as firms recorded the seventeenth successive monthly reductions in both output and new business. Production declined at the fastest rate for nearly seven years, while order book volumes fell sharply, to weigh heavily on the health of the sector. Meanwhile, job shedding continued for the seventh month running and at the quickest pace since May 2013. At the same time, input prices and output charges continued to decrease, albeit at softer rates.

The headline IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI®) – a single-figure measure of developments in overall business conditions – posted 46.2 in December, down from 47.6 in November, to signal the sharpest deterioration in the health of the Italian manufacturing sector since April 2013. Moreover, the latest figure extended the current sequence of contraction to fifteen months.

At the sub-sector level, all three of the monitored segments recorded a deterioration in operating conditions in November, the sharpest of which was recorded by intermediate goods producers.

Weighing on the overall headline figure were declines in both output and new orders. Latest survey data highlighted a seventeenth successive fall in production, with the rate of decline the fastest since March 2013. Concurrently, order book volumes fell sharply and at the quickest pace for three months, amid muted client demand. New business from abroad also decreased, as has been the case in each month since May. The rate of decline eased from November, but remained solid overall.

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



Italian manufacturers also reported a further slide in workforce numbers during December, extending the current sequence of job shedding to seven months. Moreover, the rate of job losses was the fastest since May 2013 and solid overall. Meanwhile, there were further signs of easing capacity pressures as outstanding business contracted for the twenty-first month in a row. The rate of backlog depletion was the quickest for two months and outpaced the series long-run average.

Purchasing activity also declined during the latest survey period amid lower production requirements. The reduction was the fastest since early-2013 and sharp overall. Easing supply chain pressures contributed to a fourth consecutive improvement in vendor performance. That said, lead times shortened to the softest degree in the aforementioned sequence.

Pre-production inventories continued to fall, with anecdotal evidence citing efforts to streamline stocks. Concurrently, stocks of manufactured items declined, albeit only fractionally overall.

On the price front, inflationary pressures remained notably subdued in December. Cost burdens fell further, albeit at the softest pace in the current four-month sequence of decline. Output charges were also reduced, although the fall eased from November and was only slight overall.

Nonetheless, Italian manufacturers remained confident that output would increase over the coming 12 months in December. The level of positive sentiment strengthened to a five-month high amid hopes of improved demand.

## COMMENT

Lewis Cooper, Economist at IHS Markit, which compiles the Italy Manufacturing PMI survey, commented:

*"The downturn in the Italian manufacturing sector deepened in December, with operating conditions deteriorating at the fastest pace for over six-and-a-half-years. This mainly reflected trends in output and new orders, with production contracting at the quickest pace for nearly seven years and order book volumes declining sharply amid muted demand conditions.*

*"Meanwhile, firms reduced their workforce numbers for the seventh month running. The rate of job shedding accelerated to the quickest for over six-and-a-half-years.*

*"Official data, currently updated to October, signalled a further contraction of manufacturing production of 2.4% on an annual basis, with PMI data for November and December pointing to further weakness."*

## Output Index

sa, >50 = growth since previous month



Source: IHS Markit, ISTAT.

## CONTACT

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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.

December 2019 data were collected 05-16 December 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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