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IHS MARKIT ITALY MANUFACTURING PMI®

Output contracts at unprecedented rate as coronavirus lockdown continues

KEY FINDINGS

Headline PMI at survey record low

Output and new orders decline at fastest pace in over 22 years of data collection

Jobs cut at sharpest rate since April 2009

Data were collected 7-23 April 2020.

The coronavirus disease 2019 (COVID-19) induced downturn in the Italian manufacturing sector deepened during April, with operating conditions deteriorating at the sharpest pace since the survey began in June 1997. Output and new orders also declined at the fastest rates in the survey's more than 22-year history, amid reports that widespread COVID-19 shutdowns and emergency measures had heavily impacted on the sector. Meanwhile, firms reduced workforce numbers further, and at the sharpest pace since April 2009.

The headline IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI®) – a single-figure measure of developments in overall business conditions – posted 31.1 in April, falling from 40.3 in March, to signal a substantial deterioration in operating conditions at Italian manufacturers, with the headline figure the lowest recorded in over 22 years of data collection.

Further contractions in factory production and new orders were central to the deterioration. The seasonally adjusted Output Index fell 16.4 points on the month to a fresh series low, signalling the sharpest reduction in output on record. Similarly, new orders declined for the twenty-first month running and at the quickest pace in more than two decades of data collection. Panellists linked reductions in both production and order book volumes to the impact on economic activity from the COVID-19 outbreak.

With many neighbouring countries facing similar lockdown restrictions, export sales fell markedly and at the quickest pace on record.

Italy Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit

Meanwhile, firms reduced staffing levels for the eleventh successive month, with the rate of job shedding the sharpest since April 2009. Backlogs of work were broadly stable, however, as weaker order books alleviated capacity pressures.

Amid lower production requirements, firms pared back on their buying activity substantially, with April data indicating the sharpest decline since the series began in mid-1997. With output falling and clients unable to complete purchases due to restrictions, inventories rose. Stocks of purchases increased at the fastest rate on record, while post-production inventories expanded at the quickest pace since June 2019.

Widespread supply disruptions continued, with suppliers' delivery times lengthening to the greatest extent recorded in the near 23-year survey history.

Concurrently, input prices fell for the third month running, amid reports of lower prices for oil and raw materials. The rate of decline softened from March, although it was solid overall. Selling prices also fell, with the reduction the quickest since August 2009.

Finally, expectations with regards to output over the year ahead picked up in April, with the level of positive sentiment the highest for three months. Respondents linked optimism to hopes of a timely global economic recovery.

COMMENT

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

"COVID-19 impacts continued to weigh heavily on the Italian manufacturing sector during April, with operating conditions deteriorating at the most marked rate in over 22 years of data collection. Factory production declined at an unprecedented rate, with the respective seasonally adjusted Output Index dropping to a fresh series low amid the most marked reduction in inflows of new business on record. Overwhelmingly, survey respondents linked reductions in both output and order book volumes to the COVID-19 pandemic.

"Firms continued to cut staffing levels, with the reduction in employment the quickest recorded since the depths of the financial crisis in April 2009. Respondents primarily blamed weak demand conditions, although there were some mentions that the fall in staffing reflected use of government furlough schemes.

"Overall, PMI data highlight the unprecedented and substantial damage from the coronavirus pandemic on the Italian manufacturing sector. With lockdown measures set to remain in place for the coming weeks at least, and probably not fully removed for several months, the downturn is not likely to ease markedly in the immediate future as firms battle with shutdowns both domestically and abroad."

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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 2020 data were collected 07-23 April 2020.

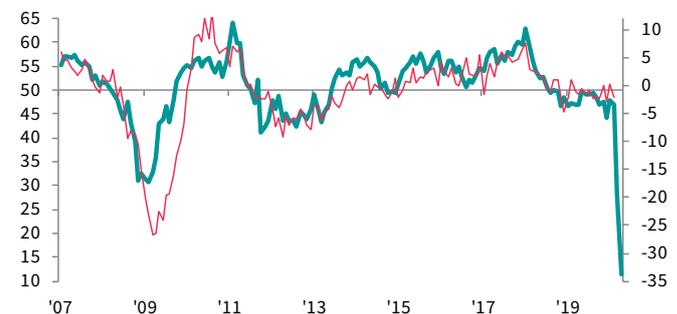
For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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Output Index

sa, >50 = growth since previous month



Source: IHS Markit, ISTAT.

About IHS Markit

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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.

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