News Release

Embargoed until 0945 CET (0845 UTC) 2 March 2020

IHS MARKIT ITALY MANUFACTURING PMI®

Italian manufacturing sector remains mired in downturn during February

KEY FINDINGS

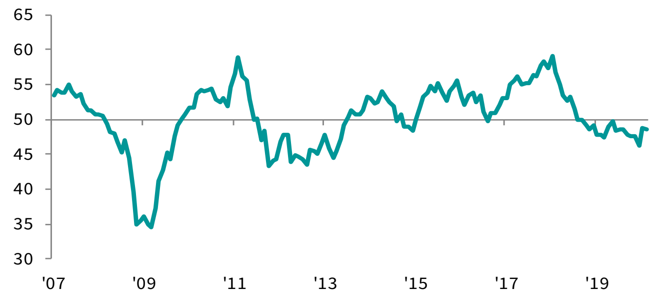
Output and new orders continue to decline

Rate of job shedding accelerates

Selling prices fall at sharpest pace since January 2015

Italy Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit

Operating conditions in the Italian manufacturing sector deteriorated for a seventeenth consecutive month during February. Key to the deterioration were further reductions in output and new orders. Production fell at one of the fastest rates in the current 19-month sequence of contraction, whilst order book volumes declined marginally. Foreign demand conditions also weakened, with new export orders falling for the tenth month running. Meanwhile, firms cut workforce numbers again, with the rate of job shedding accelerating. On the price front, cost burdens fell amid reports of lower raw material costs, whilst selling prices declined at the sharpest pace since early-2015.

The headline IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI®) – a single-figure measure of developments in overall business conditions – fell from 48.9 in January to 48.7 in February to signal a seventeenth successive deterioration in the health of the Italian manufacturing sector. Despite quickening from January, the rate of contraction was among the softest in the aforementioned sequence of decline and only moderate overall.

Weighing on the overall performance of the sector were further falls in both output and new orders. Production declined at one of the fastest rates in the current 19-month sequence of reduction and solidly overall, with panellists citing weak demand conditions. Order book volumes also fell, although the reduction was the softest since May last year.

Foreign demand for Italian goods declined for the tenth month in a row during February. That said, the reduction was the second-softest in the past six months and mild overall.

Italian manufactures reported a reduction in workforce numbers during February, as has been the case in each of the past nine months. The rate of job shedding quickened from January, although remained mild. Meanwhile, capacity pressures continued to ease, as backlogs fell for the twenty-third successive month. Panellists mentioned that lower production requirements had allowed them to work through unfinished orders.

Concurrently, cost burdens facing Italian manufacturers declined during February, as has been the case in five of the past six months. Firms linked the reduction, which was mild, to lower costs for raw materials. Lower input costs were also passed through to clients during the latest survey period, with average selling prices falling at the quickest rate for over five years.

Meanwhile, buying activity declined for the twentieth successive month and solidly overall, amid reports of lower sales. Pre-production inventories also fell, albeit at the softest rate since last October last year.

Lastly, Italian manufacturers remained confident that output would increase over the coming year in February. Respondents linked confidence to expectations of improved demand conditions. That said, sentiment moderated slightly from January.

COMMENT

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

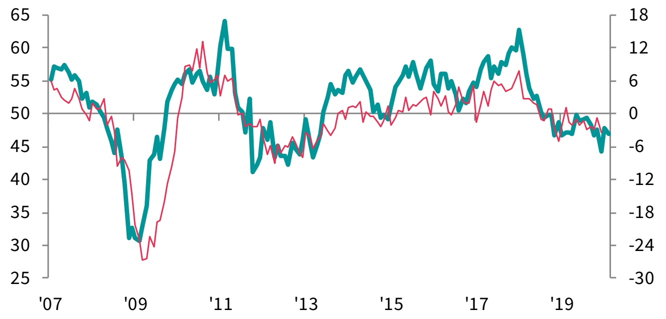
"February PMI data highlighted a further disappointing performance for the Italian manufacturing sector, with operating conditions deteriorating for the seventeenth month in a row. Production declined at one of the quickest rates in the current 19-month sequence of contraction, whilst new orders continued to fall and firms cut jobs at a faster pace.

"On the price front, input prices fell mildly, with panellists linking the decline to lower raw material prices. In light of lower costs and reports of competitive pressures, firms reduced their charges at the quickest rate since January 2015.

"Latest official data highlighted the sharpest reduction in manufacturing production since late-2018, with a contraction of 3.4% (y/y) recorded in December last year. PMI data for January and February points to further reductions of a potentially greater magnitude, with signs of a recovery still not apparent."

Output Index
sa, >50 = growth since previous month

Manufacturing production
%yr/yr



Source: IHS Markit, ISTAT.

CONTACT

IHS Markit

Lewis Cooper
Economist
T: +44-1491-461-019
lewis.cooper@ihsmarkit.com

Katherine Smith
Corporate Communications
T: +1 781-301-9311
katherine.smith@ihsmarkit.com

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.

February 2020 data were collected 12-21 February 2020.

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

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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.
ihsmarkit.com/products/pmi.html.