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IHS MARKIT ITALY MANUFACTURING PMI®

Italian manufacturing operating conditions deteriorate at fastest pace since May 2013

KEY FINDINGS

Output falls for seventh consecutive month

New orders contract at fastest rate in nearly six years

Business confidence at five-month high

The downturn in the Italian manufacturing sector continued in February amid further reductions in output and new business. Overall new orders contracted at the fastest pace since May 2013, whilst manufacturing production fell for the seventh successive month. Meanwhile, business confidence improved to a five-month high, amid hopes of a recovery in domestic demand conditions.

The headline IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI®) – a single-figure measure of developments in overall business conditions – registered 47.7 in February to signal a further deterioration in overall manufacturing business conditions. Down from 47.8 at the start of 2019, the index was below the critical 50.0 no change threshold for the fifth successive month and at its lowest overall level since May 2013.

Weighing on the PMI were weak trends in both output and new orders. Latest data indicated that manufacturing output fell in February. Although less marked than January's five-and-a-half year record, the decline in production was sharp and the seventh in successive months.

Italian manufacturers stated that a further deterioration in domestic demand conditions continued to undermine overall order books. Total new sales decreased for the seventh consecutive month and at the fastest pace since May 2013. Despite this, panellists recorded an increase in export sales during February amid greater demand from UK and German customers.

Despite the reductions seen in output and overall new

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



orders, Italian manufacturers raised their workforce numbers in February. Although marginal, the rise in headcounts contrasted with a reduction seen at the start of 2019. Firms attributed the gain in employment to hopes of a recovery in domestic demand. Meanwhile, backlogs of work fell for the eleventh successive month in February.

Manufacturers continued to decrease their inventories of finished goods for the second month in a row. The rate of contraction was solid and the fastest recorded in 14 months.

As a result of continued falls in output and new orders, Italian manufacturers decreased their purchasing activity for the eighth successive month. The rate of contraction was sharp and the fastest in three months. The easing of pressure on supply chains contributed to a second monthly improvement in vendor performance, with average lead times shortening at the fastest pace for 29 months.

Meanwhile, latest prices data showed average input costs rising at a quicker pace in February. Greater raw material prices were noted by firms as the principal factor behind elevated cost burdens. Output charges also increased in February, as some manufacturers sought to pass on their greater costs to customers.

Finally, confidence among Italian manufacturers regarding the year ahead outlook for output improved to a five-month high. New product launches and a recovery in overall demand conditions were cited by panellists as reasons to be optimistic.

COMMENT

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

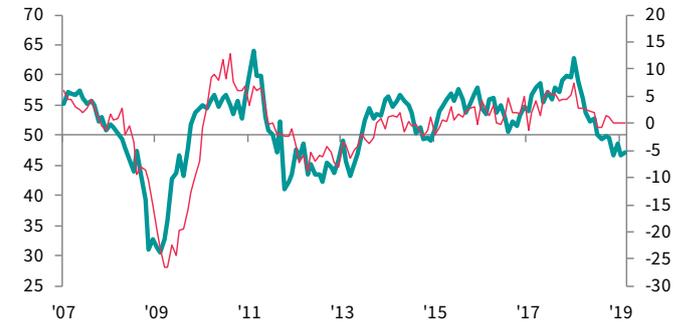
“Latest PMI data signalled the fifth monthly deterioration in Italian manufacturing business conditions. The picture was especially bleak in regards to output and overall new orders which both contracted for the seventh consecutive month in February. Moreover, purchasing activity, backlogs of work and holdings of pre-and post-production inventories all declined in February.

“Bright-spots were found in a slight rise in both export sales and staffing levels as well as business sentiment which improved to a five-month high.

“All this bodes ill for Italian manufacturing performance in Q1 and beyond, especially when looking at the slowdowns in key export markets such as the UK and Germany.”

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.

February 2019 data were collected 12-21 February 2019.

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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).