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## IHS MARKIT ITALY MANUFACTURING PMI®

### Manufacturing downturn eases further in June

#### KEY FINDINGS

Factory production increases for first time since July 2018

Slower reduction in order book volumes

Output expectations highest for nearly five years

Data collected 12-23 June 2020.

The Italian manufacturing sector remained in a downturn during June, although the deterioration eased further as restrictions related to the global pandemic were loosened. Factory production increased for the first time in nearly two years, although the expansion was only mild overall. Demand conditions remained weak, with new orders falling again albeit at the weakest rate for four months. Encouragingly, the 12-month outlook for output improved further, with the level of positive sentiment the highest since July 2015.

The headline IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI®) – a single-figure measure of developments in overall business conditions – registered 47.5 in June to signal a twenty-first successive deterioration in the health of the Italian manufacturing sector. The figure was up from 45.4 in May, however, to indicate the softest rate of decline for four months.

Central to the softer deterioration in conditions was the first increase in output for nearly two years, amid reports of looser lockdown restrictions and further company re-openings. That said, the rate of expansion was only mild overall. At the same time, order book volumes were down as has been the case in each month since August 2018. Panellists reported that despite looser COVID-19 restrictions, firms were struggling to revive client demand. The rate of reduction in new orders was solid, albeit the slowest for four months.

Foreign demand also remained weak, with new export orders falling sharply, despite the rate of decline easing from May.

Italy Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit

In line with weak sales, workforce numbers fell again, extending the current sequence of reduction to over a year. The rate of job shedding was broadly unchanged from May and marked. Nonetheless, firms continued to work through unfinished orders, with the rate of backlog depletion the quickest since March 2013.

Meanwhile, goods producers continued to pare back purchases, with buying activity falling markedly. Supply chain disruptions continued to be widely reported, although the extent to which lead times lengthened in June was the least severe since February.

At the same time, stocks of pre-production goods rose further in June, albeit only slightly. Latest data also highlighted a mild drop in holdings of stocks of finished goods items as firms signalled a better ability to despatch items to clients.

Cost burdens facing Italian manufacturers fell for the fifth month in a row during June. The rate of deflation was solid, but softer than in the previous survey period. Firms continued to discount their own goods to drive sales, with average selling prices declining again in June.

Finally, expectations with regards to output over the year ahead climbed to the highest since July 2015. Anecdotal evidence linked confidence to hopes of improved demand and an economic recovery.

## COMMENT

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

*"The Italian manufacturing sector remained in a downturn during June, although the deterioration in the health of the sector eased further, and was the softest for four months, as lockdown restrictions were loosened and more of the economy reopened. Factory production increased for the first time since July 2018, although the rise was only mild.*

*"Demand conditions remained weak, however, with total order book volumes dropping for the twenty-third month in a row. Although still solid overall, the reduction in new orders eased further and was the slowest since February. June data also highlighted another round of job cuts, with companies continuing to report lay-offs and forced redundancies.*

*"Encouragingly, confidence among Italian manufacturers with regards to output over the year ahead improved again, with sentiment climbing to a near five-year high. Although the improvement in firms' confidence is a step in the right direction and the downturn has eased, the Italian manufacturing sector is still facing a rocky path to recovery as demand needs to improve considerably for growth to return in a meaningful manner."*

## 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.

June 2020 data were collected 12-23 June 2020.

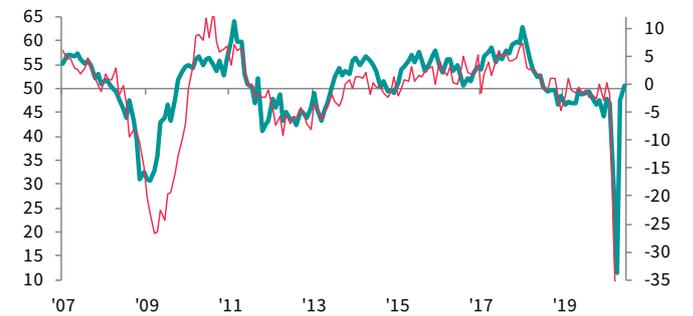
For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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### Output Index

sa, >50 = growth since previous month



Source: IHS Markit, ISTAT.

### 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.

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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.

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