

# IHS Markit Italy Manufacturing PMI®

## Manufacturing conditions improve during July

### Key findings

Headline PMI climbs to highest since June 2018

Further rise in output amid first uptick in new business for two-years

Job losses continue at solid pace

Data were collected 13-24 July 2020.

Latest PMI® data pointed to the first improvement in the health of the Italian manufacturing sector for nearly two years in July. Output rose for the second month in a row, with the rate of expansion accelerating to a marked level, amid the first increase in order book volumes since July 2018. Easing lockdown measures and subsequent improvements in demand conditions were linked by panellists to the rises in both production and new business.

Nonetheless, employment declined for the fourteenth successive month and solidly, amid reports of reduced work hours and efforts to keep spending down.

The seasonally adjusted IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI) – a single-figure measure of developments in overall business conditions – rose to 51.9 in July, up from 47.5 in June, to signal an overall improvement in the health of the Italian manufacturing economy. Moreover, the headline figure was the highest since June 2018.

Central to the overall expansion were increases in both factory production and incoming new business. Output increased for a second successive month, with the expansion the quickest since March 2018. Panellists linked the rise to improved demand conditions as a result of looser lockdown measures.

Concurrently, order book volumes rose for the first time in two years. The loosening of lockdown measures globally and improved client demand were frequently linked to the marked increase.

Foreign demand remained a source of weakness however,

*continued...*

Italy Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

Commenting on the latest survey results, Lewis Cooper, Economist at IHS Markit, said:

"Latest data point to an improving landscape for the Italian manufacturing sector, with operating conditions improving for the first time since mid-2018. Factory production rose again and at a quicker rate in July, amid the first uptick in new business for two years.

"Factories and production lines continue to operate below capacity and limit working hours, however, with manufacturing employment declining for the fourteenth month in a row as a result. Foreign demand also remained a source of weakness, with new export orders falling further.

"Overall, July data appear to suggest the sector is on it's way to recovery, with output expectations also remaining positive. But, after such an extreme blow, there is masses of ground to make up. It is essential that demand conditions continue to improve, and any reintroduction of lockdown measures due to a "second wave" of the pandemic has the potential to derail the recovery."

as new export orders declined for the fifteenth consecutive month. The reduction was the softest since January and only mild, however.

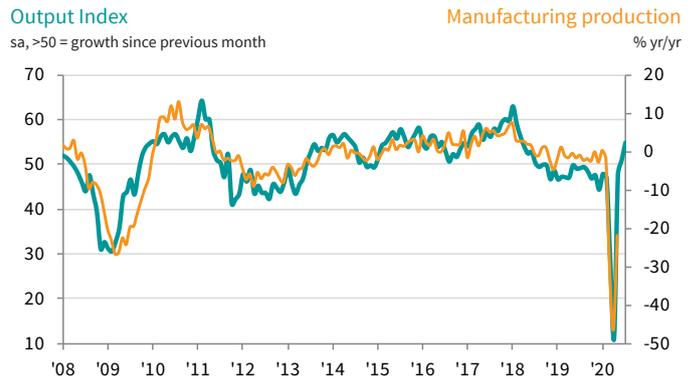
There was evidence that factories were not operating at full capacity and choosing to limit working hours in July. As a result, manufacturing employment fell again. The rate of job shedding softened noticeably from June, but remained solid nonetheless.

Despite overall new work rising in July, the unprecedented collapse of demand in previous months meant that overall workloads remained low and the level of outstanding business continued to fall. The rate of backlog depletion was sharp.

Italian manufacturers continued to cut back on purchasing of new inputs during July, reflecting lingering uncertainty regarding the near-term outlook for demand. The fall in purchasing was weaker than the average for the current 25-month sequence of decline, however. Meanwhile, stocks of purchases fell for the first time in five months, while post-production inventories declined slightly for the second month running.

On the prices front, cost burdens rose for the first time since January amid reports of greater raw material costs. Firms kept up discounting efforts in July, however, with average charges falling for the sixth month running and moderately.

Finally, firms remained optimistic with regards to output over the year ahead. Improved demand conditions and hopes of an economic recovery were frequently cited as reasons to be confident.



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### Survey 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.

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

### Survey dates and history

Data were collected 13-24 July 2020.

Data were first collected June 1997.

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