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## IHS MARKIT ITALY MANUFACTURING PMI®

### Italian manufacturing operating conditions deteriorate for sixth consecutive month in March

#### KEY FINDINGS

Output falls for eighth month in a row

New orders contract at fastest rate in almost six years

Business confidence dips slightly

Manufacturing business conditions in Italy continued to worsen in March as a sharp reduction in new orders led to a further decline in output. Production fell for the eighth consecutive month, whilst new orders contracted at the fastest rate in nearly six years. Meanwhile, business confidence dipped slightly from February, but was nonetheless positive.

The headline IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI®) – a single-figure measure of developments in overall business conditions – posted below the 50.0 no-change mark for the sixth month running in March. At 47.4, the reading was down from 47.7 in February and signalled the sharpest monthly decline in the health of the sector since May 2013.

The consumer goods sector was the only category to see operating conditions improve. Meanwhile, sharp deteriorations in business conditions were recorded at intermediate and investment goods manufacturers.

Underpinning the fall in the PMI were declines in both output and new orders. The rate of contraction of output was sharp and the eighth in as many months.

Anecdotal evidence from panellists indicated that demand conditions continued to deteriorate both domestically and abroad. Not only did total sales decrease for the eighth month in a row, but also to the greatest extent in almost six years. Additionally, new business from abroad fell in March at a rate just shy of December 2018's near six-and-a-half year record.

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



As a result of the setbacks in output and new work, employment in Italy's manufacturing sector declined in March. That said, the rate of contraction was marginal as some panellists added staff in anticipation of future increases in demand. Meanwhile, backlogs of work declined further in March, stretching the current sequence of falls to one-year. Moreover, work outstanding decreased at the fastest pace since August 2018.

Manufacturers added to their inventories of finished goods for the first time in three months in March. The rate of accumulation was sharp and the fastest in over ten years. Panellists attributed the rise in post-production inventories to a reduction of customer orders.

Due to weaker trends in output and new orders, manufacturers decreased their purchasing activity. Latest data marked the ninth successive monthly fall of input purchases, with the latest reduction accelerating since February to a near six-year record.

Amid reports of greater raw material prices (notably iron and steel), cost burdens rose in March. That said, the rate of inflation softened from February to a modest level. Despite this, firms raised their own charges at a quicker pace compared to the previous month.

Optimism regarding the year ahead outlook for output was sustained in March, but concerns over further contractions in customer demand and a continuation of negative market trends meant sentiment weakened from February.

## COMMENT

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

*“PMI surveys are used to provide an indication of the health of a particular sector or economy; and latest PMI data for Italy’s manufacturing sector signalled an ailing industry. Production, total new orders, export sales, employment and purchasing activity all fell, with overall new business contracting at the fastest pace in almost six years. Moreover, headline data for operating conditions was at its worst since May 2013.*

*“Brightspots were centred on prices data, which showed a softer rise of cost burdens and more confidence from firms to expand their margins by raising their charges.*

*“All in all, Italian manufacturing output looks set to decline further in Q2, especially when looking at slowdowns in key sources of external demand in neighbouring European markets.”*

## Output Index

sa, >50 = growth since previous month

## Manufacturing production

%yr/yr



Source: IHS Markit, ISTAT.

## 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.

March 2019 data were collected 12-22 March 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).