

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit Italy Manufacturing PMI[®]

Italian manufacturing sector experiences further slowdown of growth

Key points:

- Weaker domestic market conditions restrict growth
- Both output and new orders rise at slower rates
- Further job gains leads to slight fall in backlogs

Data collected April 12-23

The recent growth slowdown of the Italian manufacturing sector continued during April as weaker domestic market conditions limited order book and production gains. Business sentiment softened to an eight-month low.

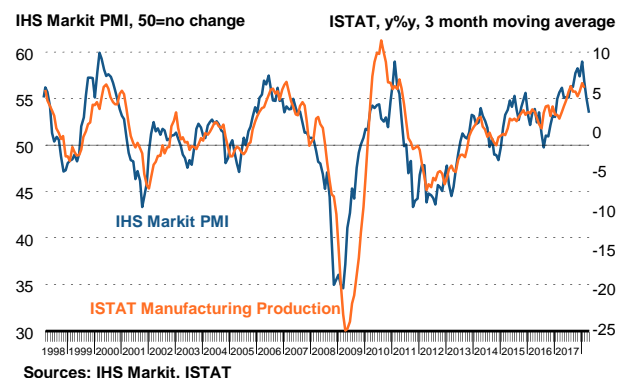
Manufacturers nonetheless continued to add to their workforce numbers, enabling a first reduction in backlogs of work for a year. Rates of inflation for both input and output prices continued to soften during the month.

The headline IHS Markit Italy Manufacturing *Purchasing Managers' Index[®]* (PMI[®]) – a single-figure measure of developments in overall business conditions – declined for a third successive month in April to reach a level of 53.5 (from 55.1 in March). The latest PMI reading was the lowest recorded by the survey since January 2017.

The slowdown was centred on the intermediate goods sector, which suffered a stagnation of output and concurrent declines in both total new orders and sales from abroad. In contrast, Italy's capital goods producers continued to perform strongly in terms of production and new work.

Aggregate level figures revealed the weakest gains in output and new orders for 17 and 18 months respectively. There were widespread reports of a softening of domestic market conditions which weighed on total order book gains. In contrast, export sales held up relatively well (in spite of growth easing to its lowest level since November 2016). This was especially the case in the investment goods sector, where export sales rose to the greatest degree in 2018 so far.

IHS Markit Italy Manufacturing PMI



Perhaps unsurprisingly, capital goods producers also led a rise in overall employment during April. Growth was also reported in the consumer and intermediate goods sectors, as firms took on extra staff to bolster productive capacity. Although the net gain in jobs was the lowest since the end of 2016, the rate of growth was nonetheless solid and helped firms to cut their backlogs of work. Latest data showed that April's marginal fall in work outstanding was the first recorded by the survey in 12 months.

In line with the trends for output and new work, companies increased their purchasing activity at a slower rate in April, although this did little to relieve pressure on suppliers. Average vendor performance continued to deteriorate amid reports of stock shortages. This led suppliers to raise their prices, a factor that helped to push up overall input costs at a strong rate. Manufacturers subsequently increased their own charges again during April.

Finally, positive projections for sales and planned new product launches helped to underpin confidence about future output. However, the degree of confidence eased for a second successive month to its lowest since last August.

Comment:

Paul Smith, Director at IHS Markit which compiles the *Italy Manufacturing PMI*® survey, said:

“Growth of Italy’s manufacturing sector took another tumble during April, with output and new orders both increasing at noticeably slower rates.

“A third successive monthly fall in the headline PMI represents a clear turning point in growth since the start of the year and cannot simply be attributed to Q1’s weather-related disruptions.

“On the contrary, anecdotal evidence in recent months has pointed to global supply-side constraints as a factor limiting growth, and these issues in April were exacerbated by increased weakness in domestic market conditions.

“These issues have undermined confidence about the future as well, although one bright spot remains the export market where demand for Italy’s high end capital goods continues to flourish.”

-Ends-

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Notes to Editors:

The IHS Markit Italy Manufacturing PMI Report is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by Standard Industrial Classification (SIC) group, based on the industry contribution to Italy GDP, and by company workforce size.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The IHS Markit Italy *Manufacturing Purchasing Managers' Index*[®] (PMI[®]) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

The *Purchasing Managers' Index*[®] (PMI[®]) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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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. To learn more go to <https://ihsmarkit.com/products/pmi.html>

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