News Release

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IHS MARKIT ITALY MANUFACTURING PMI®

Stagnation of Italian manufacturing sector in September

KEY FINDINGS

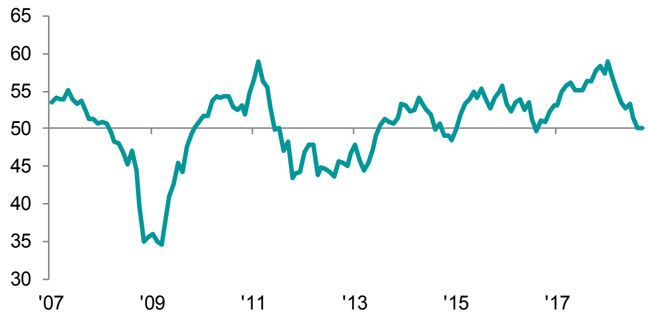
Output and new orders both down slightly

Inventories rise at fastest rate in nearly four years

Job creation weakest since start of 2015

Italy Manufacturing PMI

sa, >50 = improvement since previous month



Manufacturing operating conditions in Italy stagnated during September as output and new orders both fell marginally. Job creation was sustained, but at a much slower rate as signs of spare capacity persisted. On the price front, input prices rose at a slower, but still elevated, rate. Charges were increased to a solid degree, whilst confidence about the future improved to a four-month high.

The headline IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI®) – a single-figure measure of developments in overall business conditions – posted a reading of exactly 50.0 during September. Down very slightly from August's 50.1, the latest PMI reading indicated no-change in operating conditions. September's data also marked the first time in just over two years that the sector has failed to expand.

Manufacturing output fell in September. Although negligible, the decline in production marked a second successive monthly contraction in line with a similar development for new orders. Anecdotal evidence indicated that weak domestic demand conditions had continued to undermine overall order books. Although marginal, export orders rose in September, extending the current run of continuous expansion to nearly six years. There were reports from panellists of generally greater interest in their products from abroad.

Italian manufacturers continued to add to their payroll numbers. However, the rate of job creation was marginal and the lowest since the start of 2015 amid further signs of excess capacity in the sector. On this front, backlogs of work were shown to have fallen for a sixth successive month in September, with the latest contraction again marked.

Manufacturers were not only able to comfortably deal with backlogs but also add to their inventory levels. The latest survey showed a net gain in stocks of finished goods for a third successive month. Whilst modest, the net rise in warehouse inventory was the strongest recorded in just under four years.

With underlying trends in output and new work remaining brittle, manufacturers again cut their purchasing activity. September marked a third successive monthly fall, although the latest reduction was modest. Nonetheless, with supply chain pressure easing, average lead times for the delivery of inputs deteriorated at the weakest rate in the current two-year sequence of worsening vendor performance.

Amid reports of rising steel prices and ongoing global stock shortages, average prices paid for inputs continued to increase. That said, the rate of inflation posted a 13-month low. Companies nonetheless chose to raise their own charges at a stronger pace when compared to August.

Finally, business expectations remained in positive territory. Overall sentiment improved to its highest level since May amid positive projections for foreign demand. A number of firms are also forecasting an increase in investment relative to current levels.

COMMENT

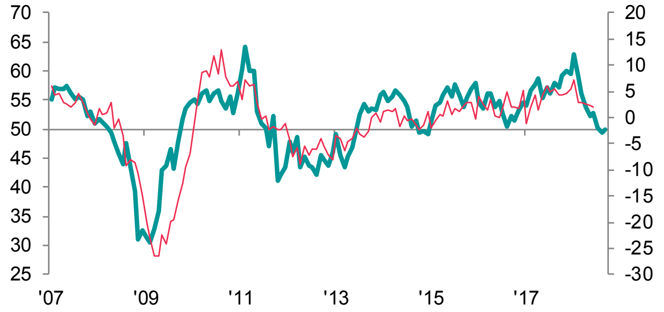
Paul Smith, Director at IHS Markit, which compiles the Italy Manufacturing PMI survey, commented:

"September's stagnation of Italy's manufacturing sector was not especially surprising given recent trends, which have shown output and new orders recording a noticeable slowdown since the start of the year.

"Whilst the easing growth trend has been driven in part by a wider weakening of the global trade cycle, recent developments have again shown up the underlying weakness within Italy's own domestic markets and a general reliance on exports to support economic growth. Indeed, this continued in September, with any gains in new work linked to foreign demand."

Output Index
sa, >50 = growth since previous month

Manufacturing production
%yr/yr



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.

September 2018 data were collected 12-21 September 2018.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About IHS Markit

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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 ihsmarkit.com/products/pmi.html.

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