

Embargoed until 0945 CET (0845 UTC) 3 December 2018

IHS MARKIT ITALY MANUFACTURING PMI®

Italian manufacturing conditions deteriorate at quickest pace for nearly four years

KEY FINDINGS

Output contracts at fastest rate since April 2013

Input price inflation at 16-month low

Business confidence weakest since May 2013

The downturn in the Italian manufacturing sector continued in November as firms indicated marked falls in output and new orders. In addition to the contraction in output, export sales declined for the second consecutive month amid reports of weaker external demand. Meanwhile, confidence towards the 12-month outlook fell to the lowest level since early 2013.

On the prices front, input cost inflation moderated to a 16-month low and manufacturers continued to raise their output charges.

The headline IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI®) – a single-figure measure of developments in overall business conditions – registered 48.6 during November to signal a moderate deterioration in overall business conditions. Down from 49.2 in October, the index was below the critical 50.0 mark for the second consecutive month and at its lowest overall level since the December 2014.

Underpinning the fall in the PMI were declines in both output and new orders. Both indicators were in contraction territory for the fourth successive month in November amid reports of softer underlying demand. Furthermore, output fell at the fastest pace in 67 months. Panellists reported a decrease in customer demand (especially for automobiles).

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



Despite contractions in output and new orders, Italian manufacturers continued to expand their payroll numbers in November. Latest data showed that employment rose for a forty-seventh month in succession as firms, hopeful of a strengthening in client demand, sought to bolster capacity. This enabled firms to keep on top of their workloads as signalled by a further reduction of incomplete business in November.

Meanwhile, latest prices data showed average input costs rising sharply during November. Greater raw material prices (notably oil and plastic) were noted by firms as the principal factor behind elevated cost burdens. Despite this, the overall rate of inflation was the lowest recorded by the survey since July 2017. Output charges also increased in November, as some manufacturers sought to pass on their greater costs to customers.

Goods producers added to their inventories of finished goods for the fifth month in a row. Despite being modest, the rise was the strongest since February 2009. In contrast, pre-production inventories decreased in November.

Looking forward, overall sentiment regarding the year ahead outlook for output weakened to its lowest level since May 2015 as political uncertainty and fears of an economic slowdown weighed on confidence.

COMMENT

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

“November's manufacturing PMI survey indicated a deterioration in operating conditions in Italy's manufacturing sector. The PMI dropped to 48.6, the lowest since December 2014. Order book volumes fell for the fourth consecutive month, with export sales declining for the second time in six years.

"Amidst the negative picture is a bright-spot of sustained employment growth. Payroll numbers have now increased on a monthly basis for nearly four years, as Italian manufacturers hope that customer demand will pick up in the months ahead.

"However, this positive sentiment was undercut by concerns over political stability and fears of a domestic economic slowdown. Looking forward, with the hopeful conclusion of the government budget negotiations with Brussels and the effective resolution of the Italian banking infrastructure, business confidence may strengthen from its current weak level."

CONTACT

IHS Markit

Amritpal Virdee
Economist
T: +44-207-064-6460
amritpal.virdee@ihsmarkit.com

Joanna Vickers
Corporate Communications
T: +44-207-260-2234
joanna.vickers@ihsmarkit.com

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.

November 2018 data were collected 12-23 November 2018.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

Output Index

sa, >50 = growth since previous month



Source: IHS Markit, ISTAT.

About IHS Markit

IHS Markit (Nasdaq: 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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2018 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, click [here](#).

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