

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Italy Manufacturing PMI®

Italian manufacturing economy remains just in contraction territory in July

Key findings:

Softer declines in output and new orders

Input stocks rise for the first time in nearly three years

Prices back in inflation territory

Data were collected 10-24 July 2025.

Although subdued demand conditions remained a key challenge for Italian manufacturers, there were signs that the downturn had subsided at the start of the third quarter. New orders declined at a marginal rate, while output fell to a softer degree compared to the month prior.

The decline in purchasing quantities was less marked in July, as firms looked to build stocks amid supply chain issues. That said, the accumulation in inventories was also partly linked to reduced output as a result of subdued demand. Finally, both input and output prices rose in July for the first time in three months.

The **HCOB Italy Manufacturing Purchasing Managers' Index™ (PMI®)**, a composite single-figure indicator of manufacturing performance derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases, rose to 49.8 in July, up from 48.4 in June. Nevertheless, the headline index remained just below the crucial 50.0 mark that separates growth from contraction. Of the five PMI components, only employment imparted a downward influence on the latest reading.

Of the three main industrial groupings, the investment goods segment bucked the wider trend of decline, signalling an improvement in operating conditions within this sub-sector of manufacturing.

Amid the near stabilisation of operating conditions, confidence in the outlook picked up. Hopes for improved economic and geopolitical conditions, new product launches and client wins underpinned growth expectations.

Incoming new orders continued to decline in July, though the rate of contraction was only slight. Qualitative evidence revealed that subdued market conditions and uncertainty (both domestically and abroad) continued to play a part in dampening sales. There was an equally mild drop in international orders in July.

Muted sales encouraged firms to lower their production volumes again in July. The rate of reduction was softer than in June and only marginal, however. The drop in output was led by the consumer goods segment, followed by intermediate, while investment was the sole bright spot.

Manufacturers continued to trim their staffing levels at the start of the third quarter, marking the tenth consecutive month of cuts. Although, the rate of decline was the fastest in three months, it was largely attributed to leavers over terminations. Nevertheless, there was still sufficient capacity to run down backlogs of work in the latest survey period. The rate of depletion was softer than in June, however.

Firms pinned the decision to lower purchasing quantities on subdued sales performances. The rate of reduction in buying activity was softer than in June, however.

That said, where inputs were bought, their delivery times were longer, amid reports of raw material shortages and instances of delays. The decline in vendor performance was the most marked since early 2023.

To account for this, manufacturers began to accumulate stocks of raw materials and other pre-production items. Not only did it mark the first rise in input stocks in a nearly three years, but the rate of expansion was also solid.

On the price front, July data signalled renewed cost inflation, following two months of reductions. Raised raw material prices were the key driver noted in panel member reports. The rate of inflation was only marginal, however. The increase in cost burdens triggered a similarly mild hike in charges. This was likewise the first increase in three months.

Comment

Commenting on the PMI data, Nils Müller, Junior Economist at Hamburg Commercial Bank, said:

“Italy’s manufacturing sector showed tentative signs of stabilisation in July, with the HCOB PMI rising to 49.8 from 48.4 in June. Although the headline index remained just below the 50.0 threshold that separates growth from contraction, the softer declines in output and new orders suggest that the worst of the recent downturn may be behind us. Notably, the investment goods segment registered an improvement in business conditions, bucking the broader trend of decline.”

“In July, Italian manufacturers began rebuilding input inventories for the first time in nearly three years – a development that may reflect a shift in sentiment. While firms reported that part of this stock accumulation was driven by supply chain concerns and lower order numbers, it also coincided with a marked improvement in business confidence. With optimism among manufacturers rising to levels above the long-run average, some firms may be positioning themselves for a potential recovery in demand later in the year. In past cycles, such inventory rebuilding often signalled that the downturn is nearing its bottom.”

“Overall, July’s data suggest that Italy’s manufacturing sector may be approaching a turning point. The recent EU–US trade agreement has prevented a sharp escalation in tensions and provides a welcome dose of planning certainty for Italian exporters. However, while the deal replaces the threatened 30 percent tariff with a reduced 15 percent duty on selected industrial goods, this rate remains substantial and continues to put Italian firms at a competitive disadvantage in the US market. How long this agreement will hold remains uncertain – especially given the volatility of recent US trade policy and the possibility that the terms could shift again.”

-Ends-

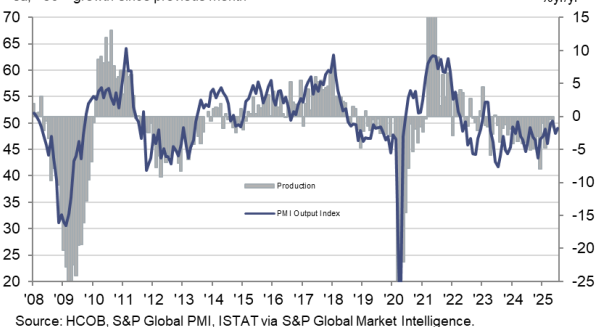
HCOB Italy Manufacturing PMI

sa, >50 = growth since previous month



PMI Output Index

sa, >50 = growth since previous month



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Note to Editors

The HCOB Italy Manufacturing PMI[®] is compiled by S&P Global 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. Data collection began in June 1997.

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@spglobal.com.

Hamburg Commercial Bank AG

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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. www.spglobal.com/marketintelligence/en/mi/products/pmi.html

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