News Release

Embargoed until 0945 CEST (0745 UTC) 01 September 2022

S&P Global Italy Manufacturing PMI®

Italian manufacturing sector remains in contraction during August

Key findings

Factory production declines for second month running

Further steep drop in order book volumes

Inflationary pressures ease noticeably

Italy's manufacturing sector remained on a contraction footing in August, latest PMI® data showed. Factory production declined for the second time in as many months, with the pace of reduction remaining moderate, despite easing, amid a further steep fall in new orders. Subsequently, firms pared back on purchasing and post-production inventories rose at a quicker pace.

Weak demand conditions contributed to a further easing of inflationary pressures in August, however. Cost burdens rose at the slowest pace since October 2020, while the rate of charge inflation softened to a 17-month low.

The seasonally adjusted S&P Global Italy Manufacturing Purchasing Managers' Index® (PMI®) posted 48.0 in August, down from 48.5 in July, to signal a back-to-back deterioration in the health of the manufacturing sector. It was the lowest PMI reading in over two years.

Central to the sustained deterioration in business conditions were further falls in output and new business in August.

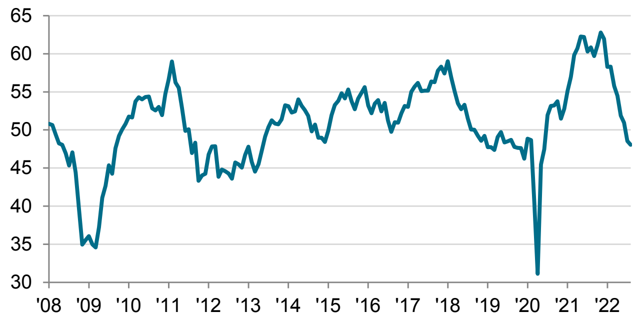
Order book volumes declined for the fourth month in a row, amid reports of weak client demand both domestically and abroad. Moreover, the pace of contraction was little-changed from July, remaining sharp and historically marked. Weakness in demand also stemmed from foreign markets in August, as evidenced by a solid decline in new export orders.

As a result, factory production across Italy contracted again, with the latest fall attributed through anecdotal evidence to weak demand conditions. Despite easing on the month, the pace of reduction was again solid.

Elsewhere, goods producers pared back further on input buying in August, reportedly in response to falling production. The rate of decline in purchasing activity was the quickest in the current three-month sequence and sharp overall. As a result, pre-production inventories rose at just a marginal pace, linked by survey respondents to the delivery

Italy Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-23 August 2022.

Comment

Lewis Cooper, Economist at S&P Global Market Intelligence, said:

"August PMI data pointed to a sustained deterioration in manufacturing conditions in Italy. Factory production declined further amid a marked drop in order book volumes.

"The weak demand picture led firms to pare back further on purchasing, and notably, a near record rate of increase in stocks of finished goods held by firms was recorded as items were left unsold.

"Some good news was again found with respect to inflationary pressures which continued to ease amid weaker demand for inputs.

"Nonetheless, the weak performance was reflected further in historically downbeat sentiment towards outlook over the coming year. Though firms, on average, expect output to be higher in 12 months' time, fears of a recession are building further, which, combined with the war in Ukraine and inflationary concerns is weighing heavily on business confidence."

PMI by S&P Global

of previously purchased inputs.

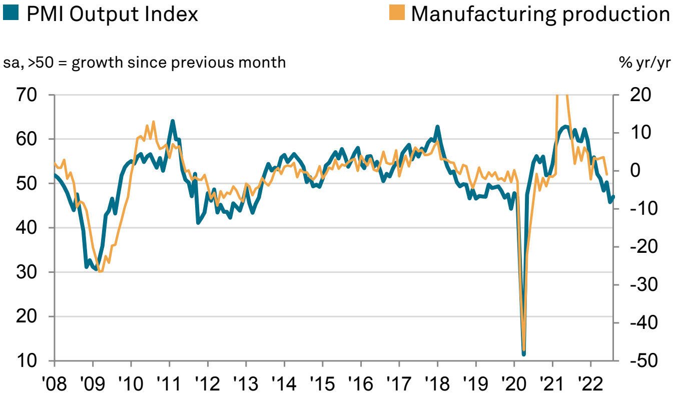
Falling input buying helped to ease supply issues further in August. Average lead times for inputs lengthened again, but to the smallest extent since late-2020.

Meanwhile, amid reports that weak sales had left items unsold in warehouses, stocks of finished goods held by Italian manufacturers rose at the third-fastest rate on record in August.

August data also pointed to a further uptick in workforce numbers at Italian goods producers, despite a solid reduction in backlogs of work. That said, the rate of job creation slowed notably to just a fractional pace overall.

Some positive news came with respect to inflationary pressures during August, with PMI data suggesting rates of increase have passed their recent peaks. Cost burdens rose at the slowest rate since October 2020, amid reports of downwards pressure on commodity prices. Subsequently, average factory gate charges increased at the weakest pace for 17 months, albeit still sharply overall.

Looking ahead, firms maintained overall optimism towards the year-ahead outlook for output during August, with confidence attributed to the easing of supply issues and hopes of a rebound in demand. However, the level of sentiment remained subdued in the context of historical data, with many panellists citing recession concerns.



Sources: S&P Global, ISTAT.

*+ 43.3% in Mar '21
+ 90.3% in Apr '21
+ 24.8% in May '21

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Survey methodology
The S&P Global 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@ihsmarkit.com.

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. ihsmarkit.com/products/pmi.html.