News Release

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S&P Global Italy Manufacturing PMI®

Decline in new orders deepens in June, with business expectations slumping to 26-month low

Key findings

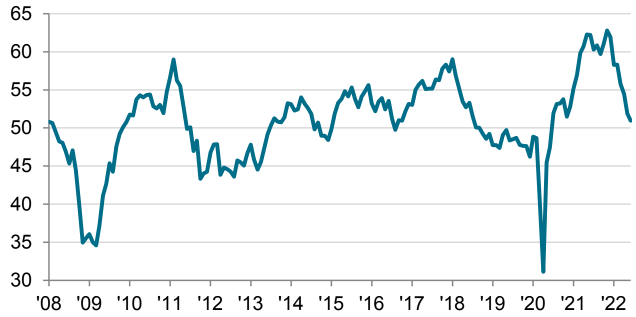
Sharp and accelerated fall in new orders

Output supported by work on order backlogs

Business confidence lowest since first COVID-19 outbreak

Italy Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 13-23 June 2022.

Italian manufacturers reported a deepening downturn of demand in June, latest PMI® data showed, with inflows of new work falling sharply and at the fastest rate for over two years. Output rose fractionally during the month, supported by work on order book backlogs built up earlier in the year, but firms' expectations towards future production plummeted to their lowest since the first COVID-19 outbreak in March 2020.

On the price front, rates of both input cost and output charge inflation remained historically strong but eased further from their recent highs. This coincided with tentative signs of stabilising supply-chain conditions, with the incidence of delays on inputs the softest since January 2021.

Falling for the sixth time in the past seven months in June, the seasonally adjusted S&P Global Italy Manufacturing Purchasing Managers' Index® (PMI®) pointed to a continued loss of momentum in the country's goods-producing sector at the end of the second quarter. Furthermore, the latest reading of 50.9, down from 51.9 in May, was the lowest recorded since the start of the sector's growth recovery two years ago.

Production levels across Italy's manufacturing sector barely rose in June, having contracted for the first time in two years a month earlier. Material shortages remained a constraint on output in some cases, though weaker demand was an increasingly important factor, with growth sometimes only achieved through the depletion of backlogs of work.

The decline in demand was highlighted by a steep and accelerated reduction in inflows of new orders across the sector. The rate of contraction recorded in June has rarely been exceeded in the survey's 25-year history, outside of the global financial crisis, the European sovereign debt crisis and the first COVID shutdowns. Surveyed firms attributed lower levels of new orders to heightened economic uncertainty and high prices. The decline in export sales also deepened,

Comment

Joe Hayes, Senior Economist at S&P Global Market Intelligence, said:

"Since reaching a survey record in November last year, the Italian manufacturing sector has undergone a rampant slowdown that continued in June. In the months that followed last year's peak, the headline PMI has lost almost 12 points as business conditions for goods producers have become increasingly challenging.

"The war in Ukraine, volatile supply-chain conditions, rampant inflation and slowing global economic conditions have all notably contributed to the deteriorating trend. These factors have most notably weighed on the demand for Italian goods, which in June fell at a rate that has been rarely exceeded in the survey's 25-year history outside of the eurozone debt crisis, the global financial crisis and COVID-19 lockdowns.

"As a result, surveyed firms have become more concerned about the outlook for their businesses. The level of confidence fell to its lowest level since March 2020 in June, when Italy entered its first lockdown period at the start of the pandemic."

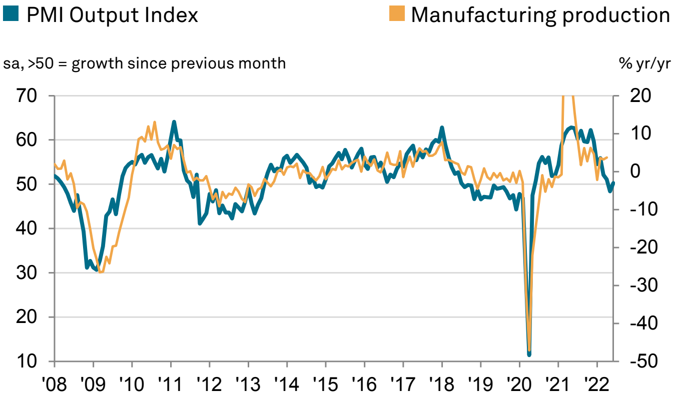
although it remained less severe than that of overall new business.

The contrasting trends in output and new orders not only led to a decline in backlogs of work, the first in one-and-a-half years, but they also contributed a first rise in stocks of finished goods for 17 months. Pre-production inventories meanwhile increased as firms looked to mitigate against supply delays.

Longer delivery times remained a prominent feature of the survey data in June, amid continued reports of a dearth of materials and transportation issues. There were some promising signs, however, as the deterioration in supplier performance eased to its least marked since January 2021.

Turning to prices, June's survey indicated that inflationary pressures remained elevated across the Italian manufacturing sector, underpinned by the rising cost of energy, fuel and raw materials. The rate of input price inflation did, however, ease notably for the second month running to the weakest since February 2021. It was a similar picture for the rate of increase in factory gate charges, which, although still sharp overall, eased further from April's record high to a nine-month low.

In regard to growth expectations for the year ahead, firms' confidence showed a substantial deterioration, falling to the lowest since March 2020. Surveyed businesses voiced concerns over a combination of falling demand and high inflation. Still, reflecting long-running capacity expansion plans, data indicated a further steady increase in factory employment, with the pace of job creation ticking up slightly to a three-month high.



Sources: S&P Global, ISTAT.

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

Contact

Lewis Cooper
Economist
S&P Global Market Intelligence
T: +44-1491-461-019
lewis.cooper@spglobal.com

Joanna Vickers
Corporate Communications
S&P Global
T: +44207-260-2234
joanna.vickers@spglobal.com

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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.