

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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HCOB Italy Manufacturing PMI[®]

Production and new orders continue to fall sharply in August

Key findings:

PMI remains stuck well below 50.0 no-change mark

Job losses signalled for first time since August 2020

Prices paid for inputs continue to fall sharply

Data were collected 10-23 August 2023.

The Italian manufacturing sector remained mired in a downturn during August. Output and new orders again fell at severe rates, with market demand reported to be subdued. Job losses were signalled for the first time in three years, although confidence in the future strengthened to a four-month high. Latest prices data showed another noticeable drop in input costs, whilst firms sought to stimulate demand by reducing charges.

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, posted 45.4 in August. That was up from 44.5 in July, and a three-month high. However, by posting below the crucial 50.0 no-change mark that separates growth from contraction for a fifth month running, the index again signalled a marked deterioration in the health of the manufacturing economy.

Weighing on the PMI in August were concurrent falls in output and new orders. Both declined at slower, but historically marked rates. Poor weather, reduced confidence, worries over recession and client destocking served to weigh on order books, and subsequently production. Foreign sales were especially weak. Latest data showed that new export orders declined for a fifth month in a row, and to the greatest degree recorded by the survey since May 2020.

The challenging market environment spilled over into purchasing and staffing decisions during August. Manufacturers cut their buying activity again at a historically severe pace, signalling a desire to utilise inventories rather than buy-in new inputs. Stocks of purchases were subsequently down for a fifth successive month, although at a marginal pace. On the employment front, job losses were recorded for the first time in three years. Several panellists signalled the non-replacement of leavers at their plants.

Another factor leading to a reduction in employment was the presence of spare capacity within the manufacturing sector. August's survey showed that work outstanding was cut sharply, and for the fifteenth successive month. However, production remained sufficiently high to ensure that warehouse inventories increased again, extending the current run of growth to half-a-year. Companies reported that weakness in orders had helped drive the sharpest rise in stocks of finished goods in 12 months.

Lower demand for inputs and broadly sufficient stock continued to help suppliers to Italian manufacturers. The survey showed that average lead times improved again, extending the current period of shortening lead times to six months. Although nowhere near as strong as April's near 14-year record, the improvement was marked. Faced with an excess of supply over demand, vendors were increasingly willing to lower prices, and the net impact was again a noticeable drop in overall input prices for manufacturers. Similarly, reduced demand and higher competition led panellists themselves to cut their own charges markedly in August.

Despite another challenging month, confidence amongst manufacturers improved to a four-month high. Firms are hopeful that demand and consumption will improve on present levels over the coming year.

Comment

Commenting on the PMI data, Dr Tariq Kamal Chaudhry Economist at Hamburg Commercial Bank, said:

“The manufacturing recession, which started mid-last year continues to stretch out, extending most likely into the third quarter. The HCOB Manufacturing PMI Index for July registers at 45.4, reflecting a 0.9 index point increase from the previous month.

“Once more, overall orders felt the squeeze, mostly due to overseas demand. The continued slump in purchases of materials is further evidence of the weak demand situation. This trend appears to be exerting influence on the hitherto resilient Italian labour market as well. For the first time since August 2020, manufacturers are trimming their workforce numbers.

“Supply chain issues and high input costs are history now, owing mainly to the global slump in demand. Suppliers' delivery times continue to shorten markedly, while the descent in input costs is presently occurring at a more gradual pace. This state of affairs seemingly confers no exploitable advantage upon enterprises. The surveyed companies divulge an excess of manufactured goods compared to those in demand, thereby exerting detrimental effects on stocks of finished goods.

“It remains remarkable how sanguine producers are about the future, with confidence about prospective output again above its long-term average. Companies are pinning their hopes on a resurgence in goods demand in the upcoming year.”

-Ends-

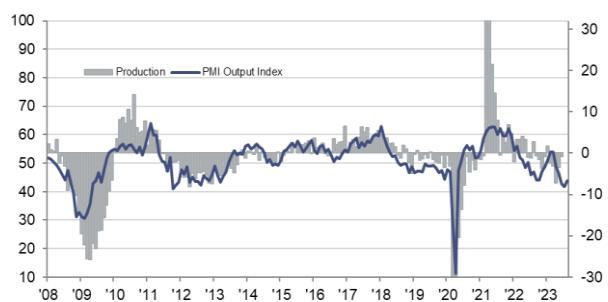
HCOB Italy Manufacturing PMI
sa, >50 = growth since previous month



Sources: HCOB, S&P Global PMI.

PMI Output Index

sa, >50 = growth since previous month



Sources: HCOB, S&P Global PMI, ISTAT via S&P Global Market Intelligence.

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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@ihsmarkit.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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