

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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# HCOB Italy Manufacturing PMI<sup>®</sup>

## Italian manufacturing operating conditions deteriorate at softer pace in August

### Key findings:

Declines in production and new orders only modest in August

Firms raise staffing levels for first time since April as outlook brightens

Charge inflation returns after nearly a year-and-a-half of reductions

Data were collected 12-22 August 2024.

Italian manufacturers continued to face subdued demand conditions in August and were still hesitant to raise production levels as a result. That being said, the latest HCOB PMI<sup>®</sup> data provided some positive signals. Though still in contraction territory, output, new orders, purchasing activity and input stocks all declined at softer rates.

It was clear that firms were feeling more confident towards the future, as the outlook for output was its brightest for three years and jobs growth returned.

**The HCOB Italy Manufacturing Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>)**, a composite single-figure indicator of manufacturing performance derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases, posted at 49.4 in August (47.4 in July).

Though still indicating a deterioration in the health of the sector, August marked the third successive monthly increase in the headline index, bringing it further towards the crucial 50.0 mark.

Four of the five PMI components had positive directional influences in August, the only exception being an improvement in vendor performance (typically an indicator of weaker manufacturing conditions), which panellists linked to fewer material shortages.

Amid ongoing reports of muted demand conditions, both new orders and output declined again in August. However, the rates of contraction were both only modest and the softest for five months.

Export orders followed a similar trend, with a sustained but slower decline seen in August. Moreover, the latest drop in international sales stretched the current sequence of contraction to nearly a year-and-a-half.

August survey data highlighted a slight decrease in input buying, linked by panellists to subdued order numbers. Some firms noted that the decrease reflected automated purchasing. At the same time, stocks of purchases fell again, marking nearly a year-and-a-half of depletion.

Where firms did purchase inputs, average lead times on their delivery shortened in August. Vendor performance reportedly improved due to better availability at suppliers.

After three months of cuts, factory workforce numbers rose in August. Though only modest, the rate of job creation was the quickest for five months. With that, manufacturers had sufficient capacity to run down backlogs of work again. However, the rate of depletion was the slowest seen for just over two years.

After having deteriorated to a seven-month low in July, business confidence at Italian factories picked up notably in August. With the proportion of optimists outweighing that of pessimists by 52% to 4%, the degree of positive sentiment was its strongest for three years. Upbeat demand forecasts and hopes of improved economic conditions generally underpinned firms' confidence.

Though still strong, cost pressures faced by manufacturers in Italy cooled slightly in August. This and the notable uplift in confidence saw firms raise their charges for the first time since February 2023. The increase in part reflected the pass-through of costs to customers.

## Comment

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

*“Italy’s industry is on the mend. Although the HCOB PMI for Italy’s manufacturing sector remains below the growth threshold at 49.4 points in August, the index has gained two points. Still, this result is good news given the downward trend elsewhere in the eurozone in recent months. However, the situation for the Italian manufacturing industry is far from ideal. Companies surveyed reported scaling back production due to sluggish new order intakes and generally weak market conditions.*

*“Price developments continue to trouble Italy’s industrial sector. Despite a slight dip in August, the latest rise in input costs was nevertheless strong. Companies surveyed attributed the persistent price pressure to higher raw material costs. On a slightly positive note, output prices have also started to climb, allowing firms to pass on some of their increased expenses to customers. However, the wide gap between input and output prices, particularly since the start of the second quarter, underscores the ongoing strain on profit margins.*

*“The outlook by the panellists may be overly optimistic. Businesses are looking ahead with greater confidence, reflected in increased hiring in August, following cuts in the previous three months despite the persistent labour shortage in Italy. Future output expectations are almost euphoric when compared to the historical average, but this optimism seems more rooted in hope. A closer look at total and international order intakes reveal that, despite a noticeable jump from the previous month, orders continued to decline. We need more evidence of a sustained upward trend.”*

-Ends-

**HCOB Italy Manufacturing PMI**

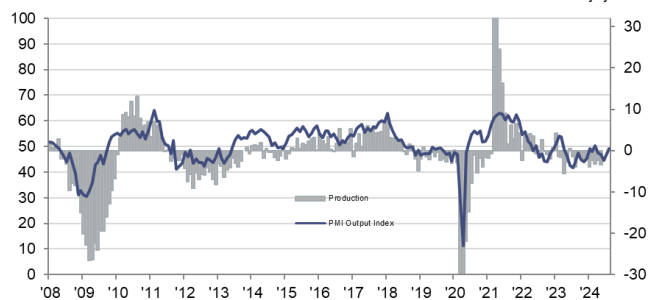
sa, >50 = growth since previous month



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@spglobal.com](mailto:economics@spglobal.com).

## Hamburg Commercial Bank AG

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## About PMI

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