

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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

## Italian manufacturing sector rooted in a downturn

### Key findings:

Sharper decline in new orders signalled amid subdued export sales

Stocks of purchases depleted at one of the sharpest rates on record

Input and output prices fall

Data were collected 10-24 October 2024.

The Italian manufacturing sector remained under pressure at the start of the final quarter. The latest HCOB PMI<sup>®</sup> data showed declines in new orders and output worsening, with a substantial decline in the international sales environment weighing heavily on demand conditions.

Buying activity was reduced sharply as a result, which partly led input prices to fall for the first time since March. Meanwhile, selling prices were discounted further. Most notably perhaps, stocks of purchases were depleted at one of the quickest rates seen on record.

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, fell from 48.3 in September to 46.9 in October.

With the headline index falling deeper into contraction territory, the health of sector suffered further in October. The downturn was widespread with four of the five components imparting a negative directional influence on the headline PMI.

Manufacturers in Italy signalled a sharper decrease in new orders in October. The downturn was in part caused by a rapid and accelerated drop in export sales. Some panellists cited reduced inflows of new business from the US, the Middle East and Europe in particular. Others blamed weakness on the international autos market. As a result, production requirements were lowered in October, with output falling at a faster pace than seen in September.

The challenging market environment influenced firms' decisions on jobs. The renewed decrease in headcounts was the fastest seen for five months and reportedly reflected the non-replacement leavers.

Still, there was a further substantial decrease in work outstanding in October. Manufacturers commonly indicated that they were able to keep on top of workloads given the lack of incoming new business. Some firms also mentioned that efficiency improvements supported backlog depletion.

With manufacturing sector conditions deteriorating, companies expressed an ongoing reluctance to purchase additional inputs. There was a similarly sharp decrease in stocks of purchases signalled by Italian manufacturers in October. The rate of depletion was not only substantial, but also one of the fastest seen in the survey's history.

Despite the marked decline in buying activity, average lead times on inputs increased slightly in October. Some panellists linked the deterioration in vendor performance to delivery delays.

Amid weak demand for inputs, manufacturing firms in Italy signalled a decrease in their purchasing costs, marking the first drop seen since March. That said, the reduction was only fractional.

Firms passed some of the relieved cost pressures on to customers in the form of lower output charges in October. The rate at which selling prices were discounted was more pronounced than in September. Firms cited attempts to encourage sales through promotional price setting.

Looking ahead to the next 12 months, manufacturers in Italy were confident of a rise in output from present levels in October. The optimists (40%) outweighed the pessimists (17%) by more than double. Hopes of a market recovery, future interest rate cuts and an improved inflows of new work were key drivers of confidence. The degree of positive sentiment dropped notably again, however, to its weakest for nearly two years.

## Comment

Commenting on the PMI data, Jonas Feldhusen, Junior Economist at Hamburg Commercial Bank, said:

*“Italy’s manufacturing sector continues its downward trend. The HCOB PMI registered another decline, reaching 46.9 points – the lowest level since June – indicating accelerating downward momentum. This weakness is not only reflective of an ongoing drop in production but also of a deteriorating order situation.”*

*“The plunge in foreign orders is particularly striking. Anecdotal evidence points to weak demand from the U.S. and neighboring European markets as primary drivers. Additionally, the weakness in the automotive sector is frequently cited as a significant factor. This is unsurprising, given the mounting pressures on the Italian automaker conglomerate Stellantis, which is expected to reduce its production in Italy by approximately one-third this year, according to reports. The parallels to Germany’s Volkswagen are clear: both companies are suffering from higher international competition, especially from China, and sluggish demand for electric vehicles domestically. Thus, factory closures are now a realistic consideration in both countries.”*

*“Weaker production is seen across all sub-sectors. The consumer goods sector is reporting not only production cuts but also job reductions. The intermediate goods sector is grappling with significant losses in new orders. In October, companies attempted to stimulate demand through price reductions. At the same time, there was a reduction in cost pressures.”*

*“The overall picture for Italy’s industry is sobering: production is shrinking, backlogs of work are decreasing, and demand for inputs is falling. In short, the sector is moving, but in the wrong direction. Companies are responding with workforce reductions, often by leaving vacancies unfilled and letting temporary contracts expire. Against this backdrop, future prospects look significantly worse, falling well below the historical average.”*

-Ends-

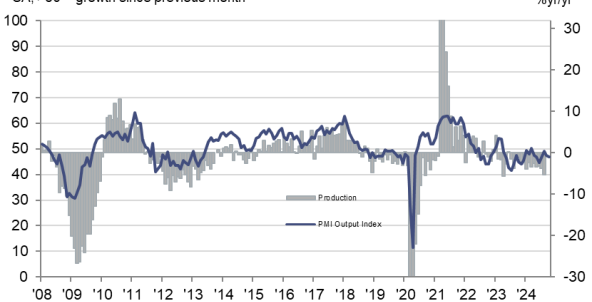
**HCOB Italy Manufacturing PMI**

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](mailto:economics@spglobal.com).

## Hamburg Commercial Bank AG

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## About PMI

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