

News Release

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S&P Global Italy Manufacturing PMI[®]

Goods producing sector remains mired in downturn in December

Key findings

Further, but weaker, fall in factory production

New orders decline sharply

Business confidence hits seven-month high

Italy's manufacturing sector remained mired in a downturn during December, according to the latest PMI[®] data. Output declined further, albeit at the softest rate in the current six-month sequence, amid another sharp contraction in order book volumes.

On a positive note, business confidence strengthened to a seven-month high, with optimism linked to hopes of a recovery in demand and new investments.

The seasonally adjusted S&P Global Italy Manufacturing Purchasing Managers' Index[®] (PMI[®]) posted 48.5 in December, up slightly from 48.4 in November, to signal a sixth consecutive deterioration in the health of the manufacturing sector.

The sustained downturn in the final month of 2022 was driven by further declines in both output and new work. Factory production fell for the sixth month in a row, linked through anecdotal evidence to weak demand conditions. The rate of reduction was the slowest in the aforementioned sequence and only mild, however.

Concurrently, December data pointed to another sharp contraction in order book volumes at Italian goods producers, although the rate of decrease was the slowest since May. Panellists cited poor client demand. Inflows of new work from abroad also declined in December, with the rate of reduction unchanged on November's solid pace.

Elsewhere, Italian manufacturers reported a further fall in purchasing activity in the final month of the year. Firms were paring back on input buying in response to weak sales, according to panellists. The pace of decline was the slowest since September, but nonetheless marked.

As a result, pre-production inventories declined for the second time in three months and moderately overall. Lead times for inputs lengthened further, however, amid reports of transport issues and shortages, although delays were the

Italy Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 06-16 December 2022.

Comment

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

"The Italian manufacturing sector remained mired in a downturn during December, as production and order books continued to decline, albeit at softer rates.

"Notably, data highlighted reductions in stocks of both purchases and finished goods for the first time since May, highlighting ongoing efforts amongst firms to optimise inventories amid the weak economic climate.

"Some positive news came with respect to business confidence, as sentiment strengthened to a seven-month high. Panellists cited hopes of a recovery in demand and planned investments.

"That said, with the sector remaining in contraction territory in the final month of 2022, the PMI data hint at ongoing challenges as we enter 2023."

PMI[®]

by S&P Global

least severe since September 2020.

Meanwhile, stocks of finished goods fell for the first time since May amid reports that firms were optimising inventories due to the current economic climate. That said, the rate of decline was only mild.

December data also pointed to ongoing signs of spare capacity at Italian goods producers, as evidenced by a seventh successive fall in backlogs of work. According to panellists, lower new business allowed resources to be directed to unfinished orders. The rate of backlog depletion was solid, but the softest since July.

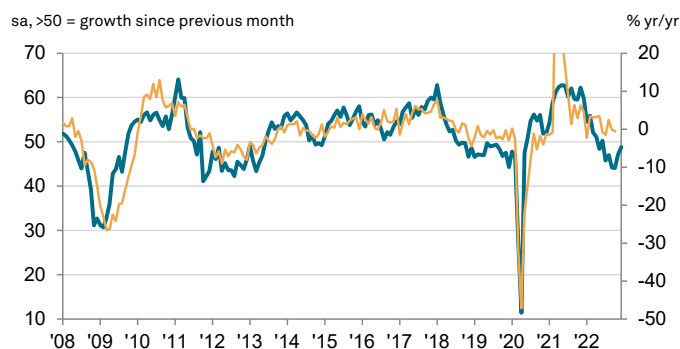
Italian goods producers continued to take on additional staff in December, however. The latest uplift in workforce numbers was marginal, but extended the current sequence of job creation to 28 months.

Turning to prices, costs faced by Italian manufacturers rose further in December, extending the current sequence of inflation that began in mid-2020. Energy, materials and packaging were cited as the main drivers of the increase. Notably, the rate of inflation was the softest since October 2020.

In response to greater costs, firms again hiked factory gate charges in the final month of the year. The rate of increase was the slowest for 22 months, but still marked by historical standards.

Finally, some positive news came with respect to business confidence in December. Sentiment towards the year-ahead outlook for output strengthened to a seven-month high. Optimism was attributed to hopes of a recovery in key markets, improvements in demand and new investments.

■ PMI Output Index ■ Manufacturing production



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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.

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