

# News Release

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## S&P Global Italy Manufacturing PMI<sup>®</sup>

### Output growth accelerates in February as new orders rise for first time in nearly a year

#### Key findings

Production increases at fastest rate for 12 months

Order book growth and easing supply constraints support output

Drop in input prices signalled

Growth of Italy's manufacturing sector picked up during February, underpinned by a marked rise in output and a return to expansion of new orders. Employment numbers also continued to improve, whilst expectations held broadly steady at a near one-year high. Prices paid for inputs declined slightly, although a further rise in output prices ensured that underlying profitability continued to recover.

After accounting for seasonal factors, the S&P Global Italy Manufacturing Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>) registered 52.0 during February. That was up from 50.4 in January and signalled a solid rise in operating conditions that was the best recorded by the survey for ten months.

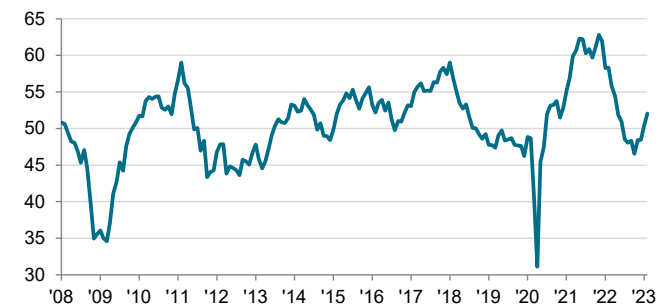
Production growth improved in February to its highest level for a year. It was the second month in a row that output has increased, with the latest growth reflective of two principal factors. Firstly, levels of new orders improved, the first time that a net increase has been registered since April 2022, with the uplift occurring despite a further drop in new export business. Companies signalled that domestic market demand was showing a partial recovery, with a growing customer interest in buying manufactured goods.

The second factor supporting output during February was, according to anecdotal evidence, the delivery of previously ordered inputs. Although firms continued to report some difficulties in sourcing raw materials, the incidence of lengthening in lead times was the weakest recorded by the survey since August 2020, adding to evidence that supply constraints, so common during the pandemic, continued to ease.

Nonetheless, firms continued to adopt a cautious attitude to purchasing activity. Latest data showed a fall in buying for a ninth successive month, albeit the lowest in this sequence, as firms instead sought to lower what many reported were excess inventories at their plants. Subsequently, stocks of inputs were cut for a third successive month and to the

Italy Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 10-21 February 2023.

#### Comment

Paul Smith, Economics Director at S&P Global Market Intelligence, said:

"February saw the continued recovery of the Italian manufacturing sector, with a marked rise in production supported by a return to growth of new orders, the first such increase recorded by the survey in nearly a year. Growth reflected two factors: one was a general upswing in demand, which is showing better-than-expected resilience as inflation and recession fears subside. The second was the ongoing easing of supply constraints, with firms noting that production was being supported by previously ordered inputs finally being delivered.

"Reflective of growing optimism about prices, input costs fell for the first time since June 2020, with energy and general commodity prices reported to be lower compared to the start of the year. This is helping firms to recover some profitability, with many still applying surcharges and raising their charges, albeit at a slower rate. Confidence about the future, combined with rising production requirements meant that firms added to their payroll numbers to the greatest degree since March last year."

PMI<sup>®</sup>

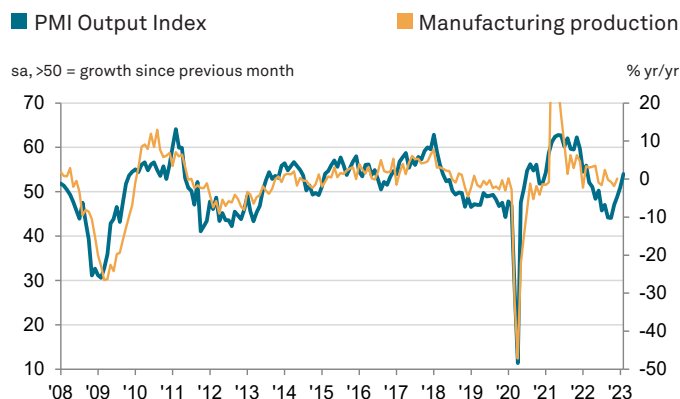
by S&P Global

greatest degree since September 2021.

Manufacturers were a little more confident in their hiring activity, with employment increasing again during February and extending the current period of growth to two-and-a-half years. Moreover, the rate of expansion was the best seen for 11 months as firms sought to satisfy higher production requirements. Optimism about the future also helped, with confidence only a little lower than in January and remaining above its historical level. Planned new product launches, expected investment and a hoped-for uplift in market demand were all cited as reasons to be confident.

Optimism also stemmed from deteriorating cost pressures. Although marginal, February data signalled prices paid for inputs declined for the first time since June 2020. There were reports from the survey panel that energy related inputs, and indeed commodities in general, had fallen in price since January. Some firms noted that an excess of market supply was pushing prices lower.

In contrast, output charges continued to increase. Firms reported that they were still applying surcharges related to high operating expenses. However, the rate of overall inflation maintained its recent downward trend, falling to the lowest recorded by the survey for over two years.



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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](mailto:economics@ihsmarkit.com).

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