

News Release

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S&P Global Italy Manufacturing PMI[®]

Solid output growth sustained as supply constraints and cost pressures continue to dissipate

Key findings

Higher orders support rise in production

Vendor performance improves considerably

Price indices signal falling costs and charges

Operating conditions in Italy's manufacturing sector improved in March for a third successive month, supported by gains in output, new orders, and employment. However, reflective of the fragility of the recent recovery, sales volumes again rose only marginally as clients grew increasingly hesitant and unwilling to commit to new business. Purchasing activity was also cut, whilst lower demand for inputs meant supply-side constraints eased noticeably.

Confidence in the future was firmer, rising to its highest level in 18 months. This in part reflected the continued dissipation of price pressures. Both input costs and output charges were reported to be lower on average during March.

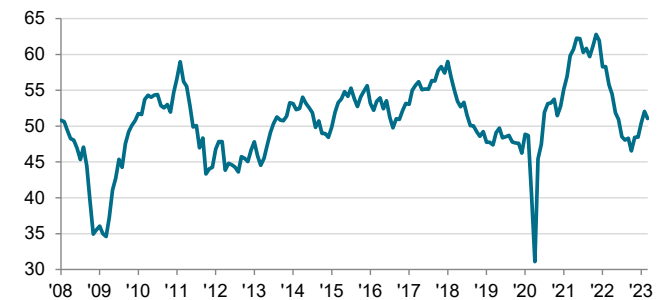
The seasonally adjusted S&P Global Italy Manufacturing Purchasing Managers' Index[®] (PMI[®]) remained above the crucial 50.0 no-change mark that separates growth from contraction during March. However, falling from February's ten-month high of 52.0 to a level of 51.1, the index was consistent with a slowdown in growth.

Production continued to rise in March, extending the current period of expansion to three months. The gain in output was again solid, and little changed since February's one-year high. Some manufacturers reported that higher sales had contributed to the rise in output, although growth was also supported by the clearance of backlogs and inventory rebuilding. Latest data showed that work outstanding fell to the sharpest degree since last October, whilst stocks of finished goods rose marginally for the first time in five months.

Against a backdrop of rising interest rates and global macroeconomic uncertainty, client hesitancy and an unwillingness to commit to new sales were reported by panellists to have limited new order book wins in March. Overall, sales rose marginally following a month of similarly sized growth in February. New export orders were a key source of higher overall sales in March, according to

Italy Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 10-24 March 2023.

Comment

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

"On balance, the latest PMI data provided a positive update on the health of the Italian manufacturing sector. Once again production rose markedly, whilst there was a noticeable easing of supply side constraints and price pressures, two factors that have dominated sector performance since the onset of the pandemic in 2020. Confidence in the outlook is improving and firms continue to hire additional workers."

"That said, the recovery remains fragile, with new order growth remaining lacklustre in March amid reports of hesitancy amongst clients to commit to new business against a backdrop of tightening monetary policy and an uncertain macroeconomic environment."

PMI[®]

by S&P Global

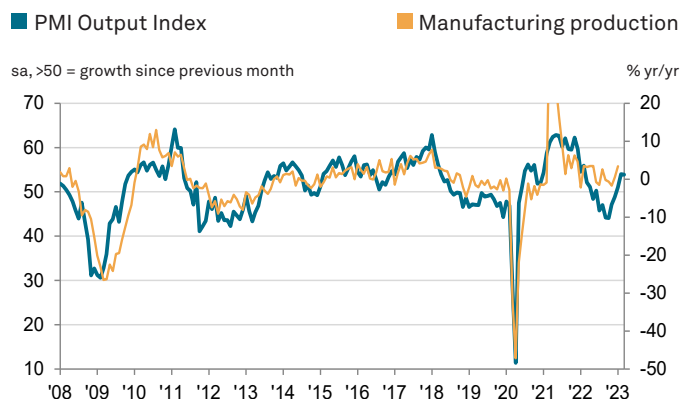
panellists. This was further highlighted by a slight increase in new export orders for the first time in nearly a year.

Disappointing sales meant firms retained a cautious approach to purchasing activity, which was reduced for a tenth month in a row during March. Companies signalled that the latest cut in buying reflected in part a preference for stock utilisation. Latest data showed that input inventories again failed to grow, but were unchanged following a three-month sequence of depletion.

Firms were more confident in their hiring activity, with a rise in employment reported again during March. Growth has now been continuously reported on a monthly basis for over two-and-a-half years, and the latest increase was the best seen for over a year. Hiring in part reflected growing expectations for output in the coming 12 months. Firms are widely hoping that sales will rise as market activity continues to normalise after a sustained period of disruption since the onset of the COVID-19 pandemic.

Greater confidence in the outlook also reflected evidence that the challenges which have disrupted product markets since the onset of the pandemic continue to dissipate. Supply side constraints weakened considerably during March, as evidenced by a first, and noticeable, improvement in vendor delivery times for over three years. There were reports from the survey panel of better product availability as demand softened.

These developments helped to reduce input prices, especially for commodities. There were also reports of reduced energy costs. Overall, the decline in input costs was marked and the sharpest since June 2020. This encouraged firms to lower their own prices charged: output charges fell slightly in March for the first time since October 2020.



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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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