NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Italy Manufacturing PMI®

Italian manufacturing sector downturn continues in September

Key findings:

Sustained but softer declines in production and new orders

Input and output prices fall at slower rates

Further depletion in backlogs signals excess capacity

Data were collected 08-22 September 2023.

With weak demand conditions continuing to weigh on the Italian manufacturing sector, the health of the good-producing economy deteriorated further in September. Sustained, but softer declines in production and new orders drove the downturn, latest HCOB PMI® data showed. Furthermore, decreases in both operating costs and prices charged persisted, albeit with rates of decline easing on the month.

The **HCOB Italy Manufacturing Purchasing Managers' Index® (PMI®)**, a composite single-figure indicator of manufacturing performance derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases, posted 46.8 in September compared to 45.4 in August. Although still posting below the 50.0 no-change mark for a sixth consecutive month, thereby signalling another deterioration in operating conditions, the downturn was the least marked since April 2023.

The rise in the headline PMI figure was partially driven by softer contractions in production and new orders in September. Although decreases in output and new business have now been seen for six successive months, rates of contraction slowed. Panellists attributed the deterioration in production and order book volumes to generally weak demand conditions in the Italian manufacturing sector. Meanwhile, non-domestic demand remained subdued, with new export orders falling at a substantial pace in September.

Alongside weak demand conditions, declines in new work intakes caused a reduction in acquisitions of raw material and semi-finished goods. Although the slowest in four months, the contraction in purchasing activity was notably faster than the historic average, and was quicker than the trend seen over the last 12 months.

In addition, although falling largely in line with August, lead times on inputs shortened for a seventh consecutive month in September. Some panellist reported improvements to supplier stocks amid muted demand for inputs.

Pre-production inventories saw a further decrease in September, with the depletion the fastest in three months. Some companies reported that they were carrying out stock clearing amid weak demand conditions. At the same time, post-production inventories fell for the first time since February, albeit only fractionally.

Furthermore, the Italian manufacturing sector saw a marked fall in overall volumes of incomplete business. Although the slowest since May, the rate of contraction was marked overall and among the fastest on record (since October 2002).

Improvements in lead times for inputs and low demand for materials led to a sustained decrease input costs in September. Some survey respondents again reported reduced raw material prices. Although easing again, the fall in operating costs was sharp.

Firms decided to pass on lower input costs to customers through another decrease in selling prices. The decline in factory gate charges was strong in September.

Despite another onerous month, positive expectations for future output levels supported a return to hiring of additional staff in September, having experienced a fractional drop in employment in August.

Nonetheless, fears of protracted weakness in demand conditions weighed on growth expectations for the coming year during September. The degree of optimism was the lowest in 2023 so far amid greater customer hesitancy in key markets.

Comment

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

"The Italian industrial economy appears to be trapped in a deep recession with no clear way out. The HCOB PMI remains in contraction territory with an index value of 46.8, although the decline has slowed down compared to the previous month.

The sub-indices provide little reason for hope. Output, new orders, quantity of purchases, and backlogs of work all shrank yet again. Even declining input prices and shorter suppliers' delivery times must be interpreted as indicators of a demand weakness.

The sole silver lining in September was the rise in factory employment. However, this can be seen more as a response to the acute shortage of skilled workers in Italy's labour force than as a harbinger of recovery. This is because new orders, both domestic and international, are shrinking, and even expectations for future output have fallen well below their long-term average, boding ill for the immediate outlook for Italy's manufacturing sector."

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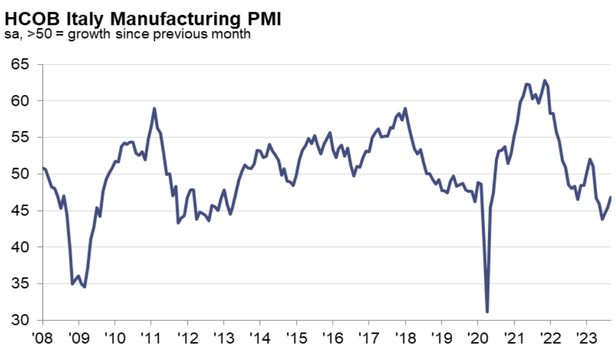
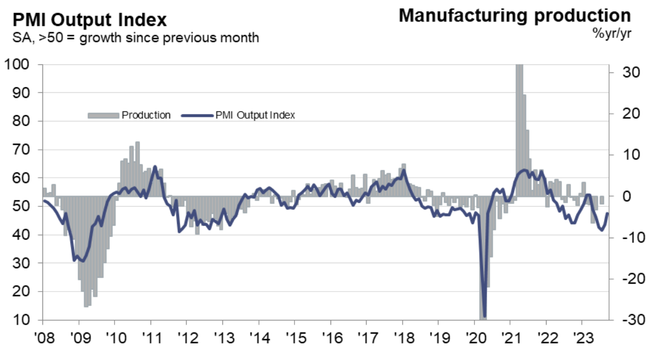


Sources: HCOB, S&P Global PMI.



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@ihsmarkit.com.

Hamburg Commercial Bank AG

Hamburg Commercial Bank (HCOB) is a private commercial bank and specialist financier headquartered in Hamburg, Germany. The bank offers its clients a high level of structuring expertise in the financing of commercial real estate projects with a focus on Germany as well as neighboring European countries. It also has a strong market position in international shipping. The bank is one of the pioneers in European-wide project financing for renewable energies and is also involved in the expansion of digital and other areas of important infrastructure. HCOB offers individual financing solutions for international corporate clients as well as a focused corporate client business in Germany. The bank's portfolio is completed by digital products and services facilitating reliable, timely domestic and international payment transactions as well as for trade finance.

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S&P Global (NYSE: SPGI)

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

About PMI
Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. www.spglobal.com/marketintelligence/en/mi/products/pmi.html