News Release

Embargoed until 0945 CEST (0845 UTC) 02 November 2022

S&P Global Italy Manufacturing PMI®

Manufacturing downturn intensifies in October

Key findings

Quickest declines in output and new work since spring 2020

Firms reduce purchasing, while post-production stocks rise

Inflationary pressures cool further

Italy's goods producing sector remained firmly on a contraction footing in October. In fact, the downturn gathered pace amid the fastest falls in factory production and order books since the height of the pandemic in the spring of 2020, respectively. Weak demand was also reflected in a further uplift in stocks of finished goods. In response, firms cut their input buying at the fastest pace for over two-years. Reduced demand led to a further cooling of inflationary pressures.

The seasonally adjusted S&P Global Italy Manufacturing Purchasing Managers' Index® (PMI®) fell from 48.3 in September to 46.5 in October, to signal a fourth successive monthly deterioration in manufacturing conditions, and one that was the most marked since May 2020.

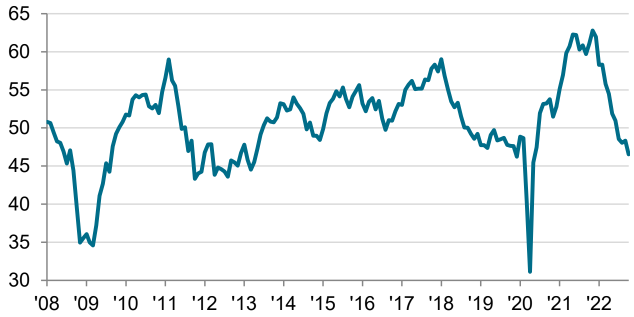
Driving the sustained downturn in October were further, and faster, contractions in output and order book volumes. Factory production declined for the fourth month running, attributed by respondents to weak client demand, linked in part to higher factory gate charges. The pace of contraction quickened very slightly since September and was the sharpest since April 2020.

A similar trend was recorded for order book volumes at the start of the third quarter. New orders fell for the sixth time in as many months, with the pace of decline the steepest since May 2020. According to panellists, poor client demand was the principal driver, amid economic uncertainty, inflationary pressures, and COVID-19 related issues. Inflows of new work from abroad also contracted in October, with the rate of reduction the fastest since July and marked overall.

Consequently, firms reduced their input buying again in October, extending the current sequence of decline to five months. Notably, the latest fall was the sharpest for over two years.

Weaker input purchasing was reflected in a first fall in stocks of purchases since May. Panellists linked the decline to the postponement of purchasing, as well as delivery delays.

Italy Manufacturing PMI
sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 12-24 October 2022.

Comment

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

"Manufacturing conditions across Italy continued to deteriorate in October, with the sector falling further into contraction territory amid quicker declines in output and new work.

"Weak demand was a key factor behind firms' decisions to postpone or cancel purchases, reflected in a marked drop of buying activity and subsequently, a fall in pre-production inventories. Stocks of finished goods increased further, however, as lower sales leave stock unsold in warehouses.

"Poor demand conditions, in addition to easing supply problems, did however help to cool inflationary pressures in October. That said, the rates of both cost and factory gate inflation remain steep by historical standards.

"Business confidence remained weak, despite picking up slightly since September, with poor client demand and high inflation continuing to weigh on expectations as we move towards year end."

Indeed, average lead times for inputs lengthened further in October, amid reports of material shortages and transport issues. Delays eased on the month but were nonetheless sharp in the context of historical data.

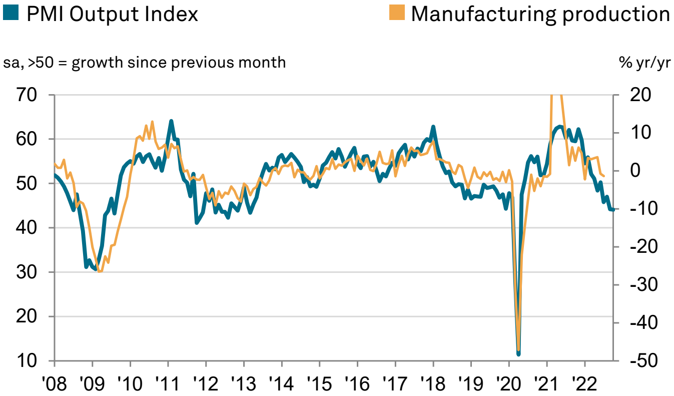
Elsewhere, inventories of post-production goods continued to rise in October, as has been the case in each month since June. Delays in clients collecting orders and weak sales caused the latest uplift, according to anecdotal evidence.

October data also highlighted further evidence of spare capacity at Italian goods producers. Backlogs of work declined at the steepest pace since March 2013.

Nonetheless, staffing levels rose further at the start of the fourth quarter, amid reports that firms were hiring in anticipation of a revival in demand. The rate of job creation eased to just a marginal pace, however.

On the price front, costs faced by firms increased further in October. Energy and material costs, as well as unfavourable exchange rates were cited as the primary drivers of inflation. Albeit historically rapid, growth slowed sharply since September. As a result, factory gate charges rose at a weaker pace.

Looking ahead, business confidence remained subdued by historical standards, though improved on the month. Where firms were optimistic towards output in 12 months' time, this was linked to hopes of a rebound in demand and easing inflationary pressures.



Sources: S&P Global, ISTAT.

*+ 43.3% in Mar '21
+ 90.3% in Apr '21
+ 24.8% in May '21

Contact

Lewis Cooper
Economist
S&P Global Market Intelligence
T: +44-1491-461-019
lewis.cooper@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

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.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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. www.spglobal.com.

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. ihsmarkit.com/products/pmi.html.

PMI® by S&P Global