News Release

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S&P Global Italy Manufacturing PMI®

Manufacturing conditions deteriorate in July

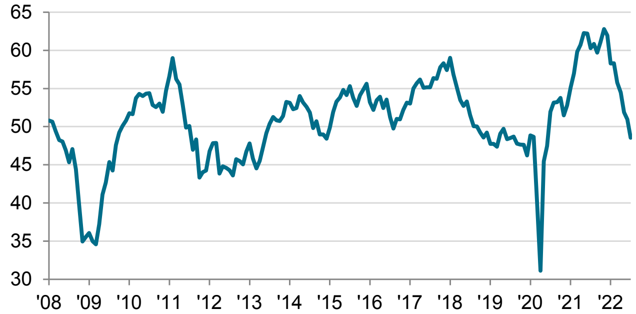
Key findings

Renewed, and sharp, decline in factory production

Fastest drop in new work since April 2020

Business confidence amongst weakest on record

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



Source: S&P Global.
Data were collected 12-22 July 2022.

The Italian manufacturing sector fell into contraction territory during July, latest PMI® data showed, as the quickest decline in new work since the height of COVID-19 measures led to a renewed and sharp drop in factory production.

Additionally, the weak performance in July was also reflected in heavily subdued expectations towards the year ahead outlook for output, as business confidence was the third-weakest on record.

The seasonally adjusted S&P Global Italy Manufacturing Purchasing Managers' Index® (PMI®) fell from 50.9 in June to 48.5 in July. Below the crucial 50.0 mark, the latest reading signalled the first deterioration in business conditions since June 2020.

Each of the five components of the headline PMI had a negative month-on-month impact in July. The biggest drag came from the survey's output index, which fell back into contraction territory in July, amid reports that weak demand and ongoing cost pressures had hit production. The rate of decline was the fastest since April 2020 and sharp overall.

Demand conditions meanwhile deteriorated for the third time in as many months during July. Notably, the latest contraction in order book volumes was the quickest for over two years and marked. Anecdotal evidence linked the fall to weak client demand, both domestically and abroad. Indeed, new export orders also declined in July, with the latest fall the steepest for 26 months.

July data also pointed to subdued business confidence amongst Italian goods producers. The level of positive sentiment ticked up slightly since June, but was nonetheless amongst the weakest on record. Weak demand, political uncertainty, the war in Ukraine and expectations of a deteriorating economic picture were all cited by respondents as reasons for the subdued outlook.

Italian manufacturers continued to take on additional staff

Comment

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

"Italy's manufacturing sector faced further challenges in July, as the health of the sector deteriorated for the first time since June 2020 amid a renewed fall in factory production and the sharpest drop in new orders since the height of COVID-19 containment measures in April 2020.

"The weaker performance also saw firms pare back on input buying, which did help to temper supply issues slightly but, amid reports that weak sales had left items unsold, stocks of finished goods rose noticeably.

"The main positives from the July data were an easing of inflationary pressures, though the rates of both input cost and charge inflation remained marked by historical standards.

"The challenging business environment, combined with concerns around the war in Ukraine, and near-term economic outlook were reflected in a notably subdued level of business confidence amongst Italian goods producers, with sentiment amongst the weakest on record."

in July. That said, the rate of job creation was the slowest for 20 months and only modest, in part reflecting a sustained and quicker decline in backlogs of work.

Elsewhere, manufacturers pared back on their input buying for the second month running in July. Panellists attributed lower purchasing activity to falling production requirements. The rate of decline was sharp.

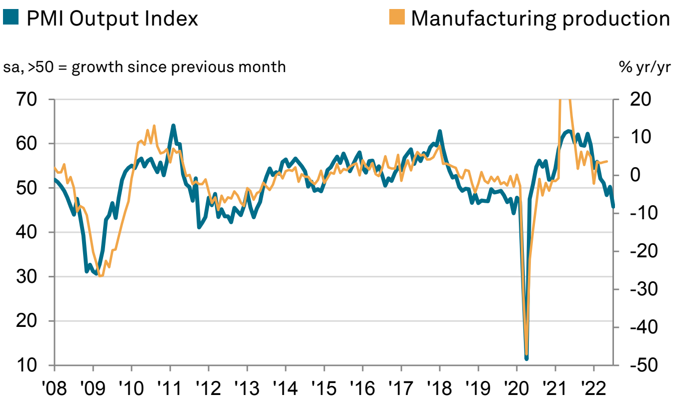
Weaker input buying was also reported to have partially alleviated supply issues in July. Average lead times for inputs lengthened to the smallest degree since November 2020.

Turning to inventories, stocks of purchases rose only fractionally, with the uplift attributed to stockbuilding efforts in previous months and a lack of inputs holding up production.

Stocks of finished goods meanwhile rose moderately, amid reports that weak demand had left items unsold in warehouses.

Some positive news came with regards to inflationary pressures, which eased further in July. Costs faced by Italian firms increased at the weakest pace since December 2020, though still sharply overall. Fuel, energy, material and transport costs were all cited in anecdotal evidence as drivers of inflation during July.

Average selling prices nonetheless continued to rise in response to greater costs, as firms sought to pass price hikes through to customers. Though historically marked, the rate of charge inflation was the softest since March 2021.



Sources: S&P Global, ISTAT.

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

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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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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.