NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Italy Manufacturing PMI®

Italian manufacturing sector remains in decline at the end of 2024

Key findings:

Further, albeit softer, contractions in output and new orders

Renewed uptick in input prices

Business confidence up to four-month high

Data were collected 5-16 December 2024.

Italian manufacturers indicated a further decline in operating conditions as 2024 was brought to a close, as further reductions in output and new orders contributed to the downturn. Although softening, rates of contraction in production and new sales remained strong. Meanwhile, companies cut employment, input buying and stock levels as the period of retrenchment was extended. Nonetheless, firms were more upbeat in their expectations for the coming year, with the level of confidence the highest since August.

Manufacturers recorded a renewed rise in input prices, although the rate of increase was subdued. Firms struggled to pass through higher costs to clients, but the pace of decline in selling prices slowed to only a fractional rate.

At 46.2 in December, 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, rose from 44.5 in November to signal a solid decline in the health of the goods-producing sector.

Contributing to the overall downturn was a further contraction in new orders during December. Italian manufacturers recorded a softer decrease in new sales, but the rate of decline was strong. Anecdotal evidence from panellists suggested the fall was due to weakness in key sectors, including automotives, and subdued export demand. Moreover, new export orders dropped for the twenty-first successive month, and at a sharp pace.

Subsequently, Italian manufacturers reduced their output levels at the end of the year. Reports of destocking, weak demand and input shortages were often noted as driving the downturn. Despite easing, the pace of decline was quicker than the 2024 average.

Cost pressures faced by Italian manufacturing firms were historically subdued in December, although input prices rose for the first time in three months. Where an increase was noted, this was linked to higher material and transportation costs.

Unfavourable demand conditions and muted cost pressures led to a further reduction in selling prices in the final month of 2024, as firms sought to boost sales. The fall in factory gate charges was only fractional, however, and the slowest since September.

Despite lower new order intakes, Italian manufacturers were more upbeat in their expectations for output over the coming year in December. The degree of confidence hit a four-month high amid hopes of improved international conditions and an upturn in demand from key sectors in the coming months.

Nonetheless, cost-cutting initiatives spurred firms to lower employment again in December. Although easing from November, the pace of job shedding was the second-fastest since July 2020. At the same time, backlogs of work were depleted at a sharp rate that was among the quickest in 2024.

Weak demand for inputs was recorded via another steep monthly decline in input buying at Italian manufacturers. Lower purchasing activity supported an improvement in supplier performance, but lead times were reduced only fractionally amid some reports of material shortages and transportation delays.

Finally, destocking activity at Italian goods producers continued, as both pre- and post-production inventoried were depleted at quicker rates in December. In fact, sustained drops in new orders led firms to lower their stocks of purchases at one of the fastest rates on record (since June 1997).

Comment

Commenting on the PMI data, Jonas Feldhusen, Junior Economist at Hamburg Commercial Bank, said:

“The Italian manufacturing sector remains in a challenging situation at the end of the year. The sector continues to struggle with weak demand from the eurozone, high energy costs, and significant issues in the automotive sector, where the production decline is particularly pronounced. Although the HCOB PMI index value has slightly increased in the final month of the year, it has remained in the recessionary zone since April 2024.

In December, there were no significant changes regarding production and demand. The situation remains similar to previous months, with continuing declines in new orders from both domestic and foreign markets. Production is further reduced. This general weakness in the manufacturing sector is affecting the workforce. Large waves of layoffs have not yet occurred, but reports indicate that temporary contracts are not being renewed and departures are not being replaced.

There is little movement on the price front. Due to weak sales figures and only mild cost pressures, output prices have slightly fallen. The poor economic situation is leading to a decrease in demand for intermediate goods, resulting in lower input costs. Industrial companies are more likely to deplete their inventories rather than build up new stocks.

Surprisingly, the outlook has slightly improved. Anecdotal evidence suggests that companies are hoping for a recovery in global demand, further rate cuts by the ECB, and an end to the crisis in the automotive sector. There is also hope in the automotive sector following a meeting between representatives of the country's largest car manufacturer, Stellantis, and the Meloni government. The automotive company has pledged to invest 2 billion euros in Italy next year and to increase production. The government also plans to invest around 1 billion euros and aims to relax the "Green Deal" regulations, which are seen as a cause of the automotive industry's weakness. This year, there have been repeated temporary plant closures at Stellantis. However, caution is warranted in light of the measures implemented by the Trump administration.”

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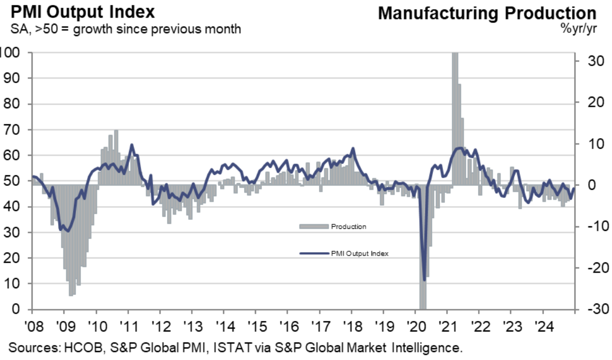

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Note to Editors

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@spglobal.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

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