

# Italy

## Italian IP slumped at fastest pace on record during December

### Falling output

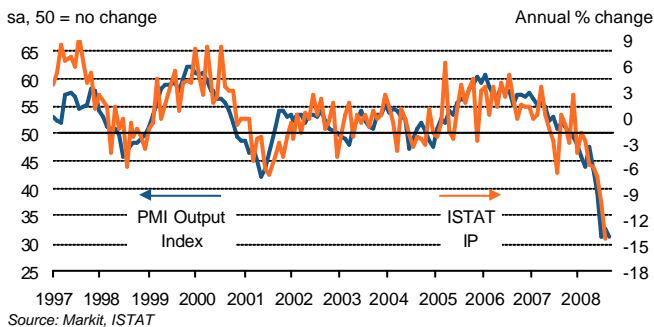
Official data from ISTAT – the official Italian statistics bureau – released on Tuesday 10 February, reported an unprecedented slump in industrial production (IP). Compared to a year ago, IP collapsed by 14.3% in December.

Economists were again caught out by the magnitude of the fall in output during December. A Reuters' poll recorded a consensus forecast of -11.2% before the release, well above the final figure of -14.3%. PMI data from Markit/ADACI had signposted a double-digit fall in IP during December (shown below) and were available on 2 January, some six weeks before the ISTAT release.

Furthermore, in our research note released on 15 January we noted that:

*“The cyclically-sensitive PMI orders-to-inventories ratio... fell to a series low in December, signalling that IP is set to fall at a considerable pace into the first quarter of 2009.”*

#### Markit/ADACI PMI v ISTAT Industrial Production



Adding to Italian producers' woes, the previous series record drop in IP reported for November was downwardly revised to -10.1%, from -9.7%, bringing official statistics in line with PMI data, which pointed to an 11.2% year-on-year decline in IP during November.

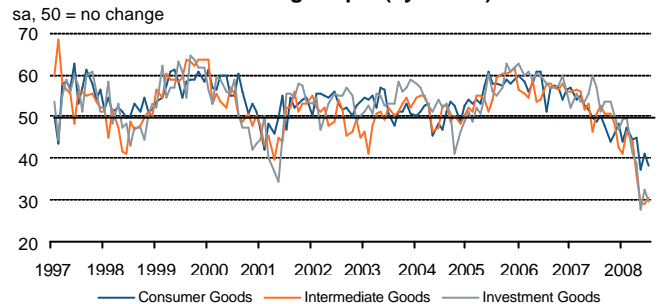
### Investment and intermediate goods sectors hit hardest

PMI data suggest that the recent collapse in manufacturing output has been broadly centred on the investment and intermediate goods sectors. The

consumer goods sector, whilst falling at unprecedented rates, has contracted at the weakest pace of the broad-sectors (as shown on the chart below). The trends illustrated by PMI data highlight the problems faced by investment and intermediate goods manufacturers in current market conditions.

Falling demand markedly reduces firms and consumers' investment plans, while a drop in consumption results in companies further down the supply chain reducing purchases of intermediate goods as they look to lower costs and inventory holdings.

#### Markit/ADACI Manufacturing Output (by sector)



### Upcoming releases

Data for February will be available for manufacturing on 2 March and services on 4 March. To find out how to receive data from the surveys, or obtain copies of the reports, please contact [economics@markit.com](mailto:economics@markit.com).

**Andrew Self**

**Economist**

Markit

Tel: +44 1491 418706

Email: [andrew.self@markit.com](mailto:andrew.self@markit.com)

For further information, please visit [www.markit.com](http://www.markit.com)

The intellectual property rights to this report provided herein is owned by Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit is a trademark owned by the Markit group.

**Appendix 1: New orders-to-inventories ratio**

