

Italy

ISTAT confirms weak demand for manufactured goods.
Exports fall at their fastest pace in twenty-one years.

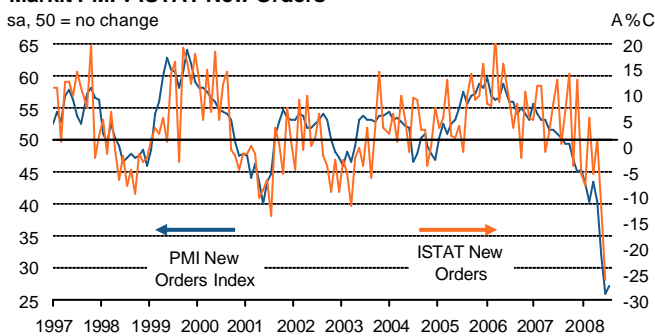
- **26% drop in official new orders in line with PMI data.**
- **Export market set to deteriorate further into 2009.**

Weakening demand

In a further sign of the torment facing Italian industrial producers, ISTAT – the Italian official statistics bureau – reported that new orders in the sector plunged 26.2% year-on-year in November, the sharpest annual rate since at least January 1991.

The record decline in new business was signposted by PMI data for November (published 1 December), which had pointed to the sharpest fall in demand since the Markit/ADACI Manufacturing PMI series began in June 1997. The graph below shows official data tracking PMI data and suggests that December will see a similar sized drop off in new business to the steep plunge recorded in November.

Markit PMI v ISTAT New Orders



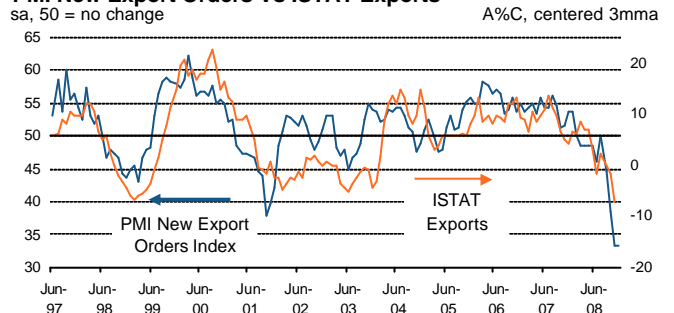
Source: Markit, ISTAT

Exports

Collapsing exports demand was a key factor behind the drop in orders. ISTAT reported that Italian exports fell 13.3% year-on-year in November and, in a sign of weak domestic demand, imports plunged 10.7% on November 2007.

As manufacturing exports account for the lion's share of total exports, the Markit/ADACI Manufacturing New Export Orders Index provides a useful advance indication of trends in the official total exports measure (see chart below). The deterioration in export trends had been anticipated by the PMI, which also indicated that the export market is set to worsen further into the start of 2009. The collapse in the PMI New Export Orders series in recent months clearly suggests that the official export data will get worse before they get better.

PMI New Export Orders Vs ISTAT Exports



Source: Markit, ISTAT

The confirmation of retrenching demand will be worrying for policymakers, especially as it is being accompanied by rising inventories of finished goods, according to PMI data. Production volumes therefore look set to fall further in coming months.

Upcoming releases

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

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