

# IHS Markit Italy Manufacturing PMI®

## Manufacturing sector records further rapid expansion in December

### Key findings

Growth of output and new work remain close to survey peaks

Employment rises steeply amid record upturn in backlogs of work

Inflationary pressures ease, but remain severe

Data were collected 06-16 December 2021.

The Italian manufacturing sector recorded another month of steep growth during December, according to the latest PMI® data. Output and new work continued to rise rapidly, with the rates of growth remaining among the quickest on record despite easing slightly. Subsequently, backlogs of work rose at a survey record pace in part due to ongoing supply issues, which continued to be reflected in severe inflationary pressures, although the rates of both cost and output price inflation slowed.

The seasonally adjusted IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI) – a single-figure measure of developments in overall business conditions – fell only slightly from November's all-time high of 62.8, posting 62.0 in December. This was indicative of an eighteenth successive monthly improvement in the health of the sector, and one that was rapid overall, with the average PMI reading over the fourth quarter the highest since data collection began in 1997.

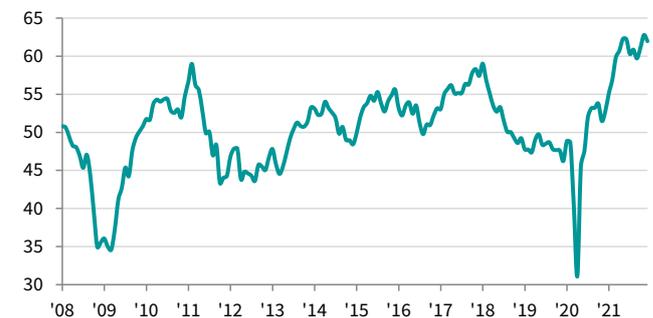
The strong performance in December was again driven by upturns in both factory production and new orders. For the former, growth eased noticeably from November, but remained sharp nonetheless and stronger than those in September and October.

At the same time, the rate of expansion in order book volumes was the fourth-quickest on record, easing very slightly on the month and remaining faster than that for output. Panellists attributed the latest uplift to strong client demand. Export orders also rose in December, with the rate of expansion rapid, but the slowest for three months.

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Italy Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

Commenting on the latest survey results, Lewis Cooper, Economist at IHS Markit, said:

*"Italy's manufacturing sector rounded off the final quarter of 2021 with another solid performance. The PMI remained close to November's all-time high due to further rapid growth of output and new orders, although the rates of expansion did slow slightly on the month."*

*"Nonetheless, capacity pressures were again unprecedented, as firms struggled with strong sales and ongoing supply issues. As a result, employment increased sharply."*

*"Material shortages and rising transport fees also fed through to a further steep rise in input costs, with firms raising their average charges at a near record pace in response. That said, the rates of inflation slowed since November, pointing to some cooling of pressure at the turn of the year."*

*"In spite of the strong performance, companies moderated their expectations towards output over the next year, with sentiment the weakest since April 2020, as some firms noted concerns surrounding COVID-19, price pressures and supply disruptions."*

*"That said, the sector remains in a very strong position as we enter 2022 with little sign of growth momentum fading significantly."*

With growth of new orders outpacing that for output, December data pointed to a further rise in backlogs of work at Italian manufacturers. Notably, the rate of backlog accumulation hit a fresh peak and was marked. Strong demand, combined with material shortages placed pressure on capacity, according to survey respondents.

Subsequently, Italian goods producers continued to expand their staffing levels in the closing month of 2021. The rate of job creation was among the fastest on record.

December data also highlighted ongoing supply disruption, as lead times for inputs lengthened steeply again amid reports of raw material shortages and transport issues. Delays were the most widespread since June.

Supply issues continued to feed through to inflationary pressures in December. Both input costs and factory gate charges rose at near-record rates, although the latest rises were slower than in November.

Meanwhile, firms continued to raise their buying activity in December. Panellists cited greater production requirements and stock building efforts as drivers of the latest rise, which was rapid overall.

Subsequently, stocks of purchases increased for the third month running with the expansion the fastest since May 2020 and solid.

Finally, goods producers remained optimistic of higher output in 12 months' time. Confidence was linked through anecdotal evidence to hopes of a sustained boost to demand. That said, sentiment dipped to the lowest since April 2020 with some firms concerned with ongoing supply issues, inflationary pressures and COVID-19.

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

Manufacturing production  
% yr/yr\*



Sources: IHS Markit, ISTAT.

\*24.3% in May '21  
89.0% in April '21  
42.3% in March '21

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### Survey methodology

The IHS Markit Italy Manufacturing PMI® is compiled by IHS Markit 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.

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](mailto:economics@ihsmarkit.com).

### Survey dates and history

Data were collected 06-16 December 2021.

Data were first collected June 1997.

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### About PMI

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