

IHS Markit Italy Manufacturing PMI®

PMI remains close to record high in August

Key findings

Headline PMI rises amid faster upturns in output and new orders

Staffing levels increase again as backlogs of work expand further

Inflationary pressures ease, but remain substantial

Data were collected 12-23 August 2021.

The Italian manufacturing sector recorded a further substantial improvement in conditions during August, according to the latest PMI® data. Output and new orders rose at quicker rates and rapidly overall amid reports of strong demand conditions. Subsequently, backlogs of work increased again, and companies continued to take on additional staff. Inflationary pressures meanwhile remained severe, although the rates of increase in both costs and charges eased on the month.

The seasonally adjusted IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI) – a single-figure measure of developments in overall business conditions – posted 60.9 in August, rising from 60.3 in July, to signal a fourteenth successive monthly improvement in the health of the sector and one that was substantial overall. Moreover, the latest reading was the third highest on record, behind only May and June.

Central to growth in August were further expansions in both factory production and new orders. The rates of increase accelerated on the month and were among the fastest on record, although growth of output continued to outpace new orders. According to panellists, the latest rises were primarily driven by strong client demand.

Higher order book volumes were also registered with respect to new work from abroad during August. Export orders rose at the fastest pace since May and rapidly.

Subsequently, Italian goods producers took on additional staff during August, extending the current sequence of job creation to a year. Higher workforce numbers were required to cope

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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:

"August data pointed to accelerated growth across the Italian manufacturing sector. The PMI remained close to its all-time high, rising since July, and signalled another substantial improvement in the health of the sector, driven mostly by quicker expansions in output and new orders.

"As a result, capacity pressures continued to build, with backlogs of work rising sharply, albeit at the slowest pace since April. Firms continued to take on additional staff to deal with greater workloads, and the rate of job creation remained among the fastest on record.

"Supply disruptions and inflationary pressures continued to weigh on the sector, however, with panellists again reporting material shortages and logistics delays, as well as higher fees and prices as a result. That said, the rates of both cost and charge inflation eased, although they were still substantial overall.

"Still, the sector remains on a strong footing in August, with momentum accelerating despite these constraints. Firms' confidence towards output over the next year improved on the month, with sentiment the strongest since December 2020, suggesting that goods producers themselves expect growth to continue."

with rising workloads, according to respondents.

Indeed, capacity pressures continued to build in August, as backlogs of work increased for the eighth month in a row. The rate of accumulation was the slowest since April, but sharp nonetheless.

Rising workloads and greater production requirements were also attributed by panellists to another monthly upturn in purchasing activity during August. The rate of increase in input buying was among the fastest on record and marked.

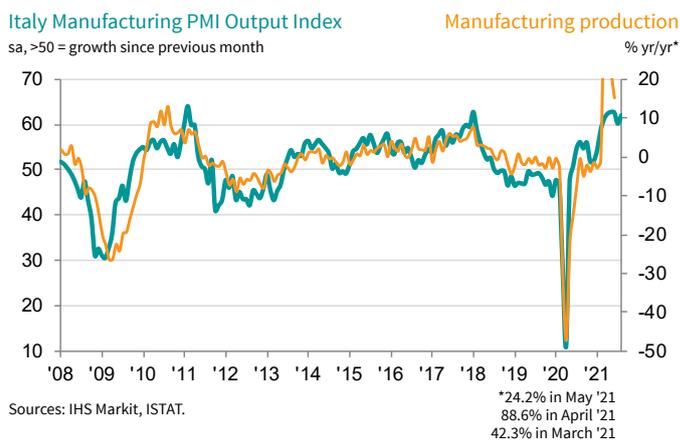
Subsequently, average lead times for inputs continued to lengthen in August. Delays were the least marked since March, but still among the most severe on record. Material shortages and transport problems were behind the latest deterioration in vendor performance, according to anecdotal evidence.

Nonetheless, pre-production inventories rose for the first time since January during August. Greater production requirements and efforts to bulk out inventories amid shortages were cited by respondents as reasons behind the upturn. Meanwhile, inventories of manufactured items were broadly stable on the month.

Despite easing, inflationary pressures remained substantial during August. Cost burdens rose further amid reports of shortages, higher transport fees and price hikes at suppliers. The rate of inflation eased to a three-month low, but was still among the fastest on record.

In response, goods producers again upped their output charges in August. The rate of increase slowed from July's peak, but was still marked.

Looking ahead, firms registered the strongest level of sentiment towards output over the next 12 months since December 2020.



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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.

Survey dates and history

Data were collected 12-23 August 2021.

Data were first collected June 1997.

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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