

IHS Markit Italy Manufacturing PMI®

Manufacturing recovery continues in September

Key findings

PMI improves to 27-month high

Output and new orders increase at solid pace

Firms hire additional staff for first time since May 2019

Data were collected 11-23 September 2020.

Latest PMI® data signalled a continuation of the recovery in the Italian manufacturing sector, with operating conditions improving moderately again amid further solid expansions in both output and order books. Subsequently, following 15 consecutive monthly falls, workforce numbers increased, as some firms bolstered capacity to keep on top of workloads

The seasonally adjusted IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI) – a single-figure measure of developments in overall business conditions – registered 53.2 in September, up from 53.1 in August, to signal a further moderate improvement in the health of the Italian manufacturing sector. Moreover, the headline figure was the highest since June 2018.

The overall improvement in manufacturing conditions was driven primarily by sustained, and solid, growth of both factory production and order book volumes, with the rate of expansion in new work slightly quicker than that of output.

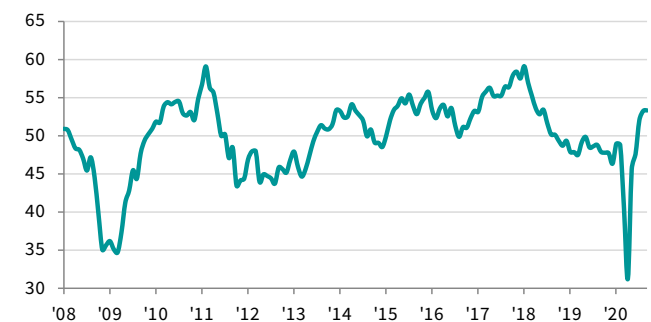
International markets also showed further signs of recovery from the economic impact of the coronavirus disease 2019 (COVID-19) pandemic in September. New export orders rose for the first time since April 2019, amid reports that foreign demand was strengthening.

Meanwhile, Italian manufacturers took on additional staff for the first time in 16 months during September. The rate of job creation was only mild overall, but contrasted positively with the recent trend. Nonetheless, capacity pressures remained weak in September, as backlogs of work declined again.

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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:

"September PMI data signalled an ongoing recovery in the Italian manufacturing sector, with the headline figure the highest for 27 months and indicative of a moderate improvement in overall conditions.

"Improved client demand, both domestically and abroad, provided a further boost to the sector, leading to sustained and solid growth of both output and total new orders.

"Firms took on additional staff for the first time since May 2019 as a result, and in preparation for future demand. The forward-looking Future Output Index reached a fresh series record, signalling strong levels of optimism with regards to output over the next 12 months.

"Latest survey data will therefore add to signs that the sector has enjoyed a rebound during the third quarter following the large economic blow from the COVID-19 pandemic. That said, it is vital that the momentum is maintained, and downside risks eliminated, to ensure every inch of lost ground is made up."

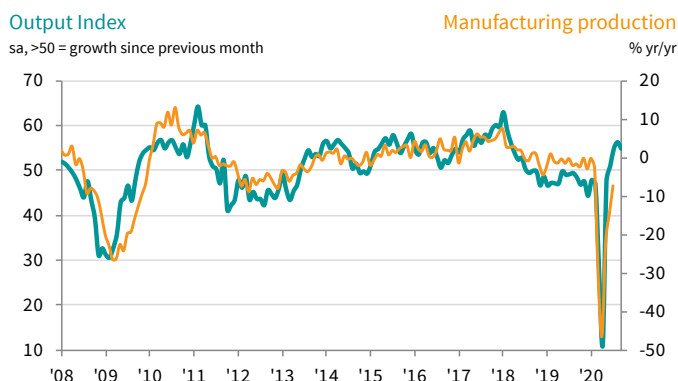
According to panellists, the steep reductions in new work during the spring meant there remained sufficient capacity to deal with higher sales. That said, the rate of backlog depletion was the slowest since April.

Italian goods producers signalled a back-to-back rise in buying activity during September, as firms increased stocks in line with higher order book volumes. The rate of expansion was also the fastest since May 2018. Subsequently, vendor performance deteriorated again, amid reports of ongoing COVID-19 related disruptions. Lead times lengthened to the greatest extent since May.

Meanwhile, stocks held at firms continued to decline according to the latest survey data. The falls in pre- and post-production inventories were the quickest in the respective three- and four-month sequence of declines.

Reports of shortages, greater raw material costs and higher charges for transport were frequently cited as drivers of cost inflation during September. Input prices rose at the quickest rate since December 2018 and solidly overall. At the same time, following seven successive monthly reductions, average charges at Italian goods producers increased, as firms passed on higher costs to clients.

Looking ahead, firms signalled improved confidence with regards to output over the next 12 months. Sentiment climbed to a fresh series record, with higher sales, looser restrictions and hopes of an economic recovery frequently linked by respondents to confidence.



Sources: IHS Markit, ISTAT.

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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 11-23 September 2020.

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