

IHS Markit Italy Manufacturing PMI®

Record upturn in manufacturing sector during April

Key findings

Headline PMI hits all-time high of 60.7

Output rises at near record pace amid fastest upturn in sales for 21 years

Escalating supply disruptions add to inflationary pressures

Data were collected 12-23 April 2021.

The Italian manufacturing sector registered its best performance on record during April, according to the latest PMI® data. Output increased at the third-steepest pace in the series near 23-year history, while growth of new work was the most marked since April 2000, amid reports of strengthening client demand and improved market confidence.

Supply delays continued to weigh on the sector during April, however. Most notable was the knock-on effect to costs, as input price inflation accelerated markedly to one of the fastest rates in the series history, with firms increasing their selling prices at a record pace as a result.

The seasonally adjusted IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI) – a single-figure measure of developments in overall business conditions – registered 60.7 in April, rising from 59.8 in March, and signalled the strongest improvement in Italian manufacturing conditions since data collection began in June 1997.

Key to the stellar performance in April was quicker growth of both production and new work. Output expanded at the third-steepest rate on record during the month, while total new orders increased at the most marked pace for 21 years. Panellists attributed growth to improved client demand and stronger client confidence. Foreign order book growth also remained strong during April, with new export orders rising markedly, albeit at a slightly slower rate than in March.

Meanwhile, supply chains suffered further disruptions, with delays primarily the result of shortages, port delays and

continued...

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 continued on its strong recovery path during April. The headline PMI rose to an all-time high of 60.7 amid a near record upturn in output and the quickest expansion of new orders for 21 years, with panellists commenting on further improvements to demand conditions and stronger client confidence.

"Supply chain disruptions continued to hold the sector back, however. Average lead times for inputs lengthened to a near record degree, and added further to inflationary pressures, as costs rose steeply again, and firms upped their average selling prices at a survey record pace as a result.

"Nonetheless, the latest data show nothing less than a stellar performance for the sector as a whole. Consumer goods continued to lag behind, in part due to the significant impact of supply issues, but near record upturns were seen elsewhere in the intermediate and investment goods sub-sectors.

"Firms remain confident that output will rise further over the next year, and although supply disruptions remain a key concern, the latest PMI data show no signs yet of any slowdown of the Italian manufacturing sector."

COVID-19 measures, according to panellists. Average lead times for inputs lengthened an extent less severe only than that seen at the height of lockdown measures last April.

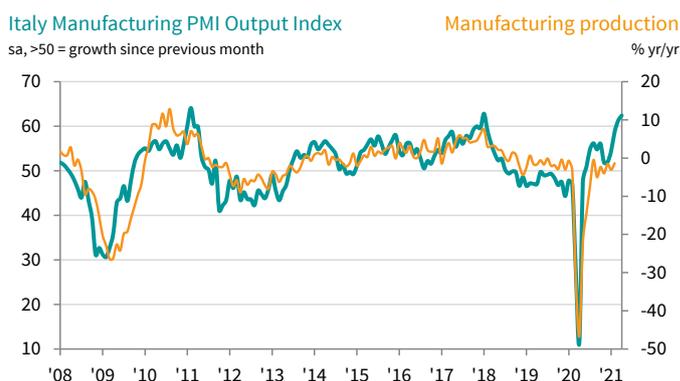
Shortages, greater transport costs and supply disruptions were also cited as drivers of the latest round of cost inflation in April. Input prices rose at the second-steepest rate on record, with firms increasing their average charges to the greatest degree in the series history as a result.

Meanwhile, firms continued to increase their buying activity during April. Panellists noted that firms were upping their purchasing in efforts to firm up inventories, and in response to greater production requirements. The latest uptick in buying activity was among the quickest on record and marked.

Nonetheless, pre-production inventories fell at the quickest rate since December 2011, as shortages and supply chain issues meant goods producers were unable to replenish stocks used in production. Similarly, stocks of finished goods decreased at a record pace amid reports that orders were being fulfilled from inventories where possible.

April data also highlighted stronger capacity pressures, as evidenced by a near-record rate of backlog accumulation. Subsequently, firms took on additional staff again, with the rate of job creation the strongest since January 2018.

Looking ahead, the strong performance in April provided a boost to confidence regarding the year-ahead outlook for output. Sentiment was among the strongest on record, with optimism linked to improved demand and hopes of a robust economic recovery.



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 12-23 April 2021.

Data were first collected June 1997.

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