

IHS Markit Italy Manufacturing PMI®

PMI hits fresh series record as client demand continues to surge

Key findings

Output expands steeply amid fastest increase in new work on record

Firms take on staff at sharpest pace in survey history

Delivery delays add further to mounting inflationary pressures

Data were collected 12-21 May 2021.

Italy's manufacturing sector posted another stellar performance in May, according to the latest PMI® data. Output growth remained among the strongest in survey history amid record upturns in new orders and employment, as client demand continued to surge midway through the second quarter. However, supply chain disruptions remained severe, with inflationary pressures strengthening further as a result.

The seasonally adjusted IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI) – a single-figure measure of developments in overall business conditions – rose further from 60.7 in April, posting a fresh series high of 62.3 in May and signalling the most marked improvement in manufacturing conditions since the survey began in June 1997.

A strong boost to the headline figure in May came from the seasonally adjusted New Orders Index, which reached a series record peak and pointed to a rapid increase in order book volumes overall. According to panellists, more favourable economic conditions had led to improved client demand. Improved sales also came from foreign markets during May, as new export orders expanded at one of the steepest rates in the series history, with the upturn attributed by panellists to improved demand, particularly in the US and China.

As a result, output rose at a slightly accelerated pace during May. The rate of growth was the strongest since February 2011 and the second fastest on record.

Surging sales added to capacity pressures, however, as

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 rebound showed no signs of slowing during May, with PMI data pointing to a fresh record upturn in the health of the sector amid surging sales and a near survey high rate of output growth. Goods producers continued to take on additional staff too, in part due to the strongest capacity pressures in the series history, with job creation the sharpest since data collection began in 1997.

"Inflationary pressures remained the principal concern in May, with input costs continuing to surge and firms raising their average charges to a series record degree as a result. Greater costs stemmed mostly from shortages and transport delays, with suppliers' delivery times again lengthening to a broadly unprecedented extent.

"Nonetheless, the sector posted a stellar performance midway through the second quarter, with growth showing little signs of slowing down. Companies remain optimistic that output will rise further still, and this may well be the case as COVID-19 measures are eased further and the wider economy picks up."

backlogs of work at Italian goods producers accumulated at a series record pace. Respondents also noted that material shortages and delivery delays had left some orders waiting to be finished.

In response to surging demand and greater capacity pressures, firms again took on additional staff during May. The rate of job creation was the sharpest on record.

May data also highlighted further strain on supply chains, with average lead times for inputs lengthening to a near record degree. According to anecdotal evidence, stock shortages, high demand for materials and logistical issues were the primary cause of delays.

Indeed, purchasing activity at Italian goods producers increased for the sixth straight month in May, with the upturn the second-strongest on record. Nonetheless, pre-production inventories decreased further, with respondents blaming supply issues for the latest fall. Holdings of manufactured items also fell in May, albeit at a slightly reduced pace. According to panellists, sales were being fulfilled from inventories to keep up with demand.

Supply disruptions and shortages were also frequently attributed by respondents to a further increase in input prices during May. The rate of cost inflation was the sharpest since February 2011 and was rapid overall. As a result, firms upped their average charges the most since the series began in 2002.

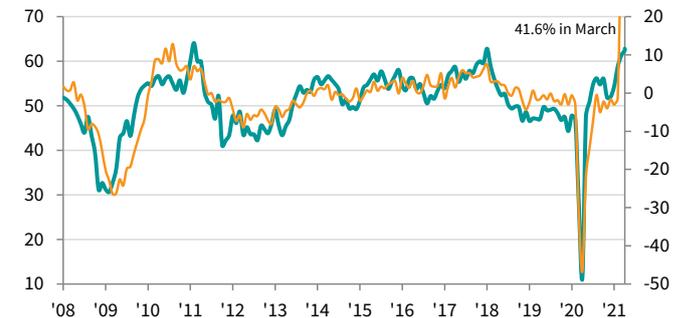
Business confidence remained robust during May, with optimism linked to robust demand and hopes of a sustained economic rebound. The level of sentiment moderated since April, but was broadly in line with the series average.

Italy Manufacturing PMI Output Index

sa, >50 = growth since previous month

Manufacturing production

% yr/yr



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 12-21 May 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