

IHS Markit Italy Manufacturing PMI®

Manufacturing recovery loses momentum in November

Key findings

Output growth slows to marginal pace amid renewed drop in new orders

Supply chain disruptions intensify, leading to marked rise in cost burdens

Rate of job creation accelerates on the month

Data were collected 12-23 November 2020.

Latest PMI® data signalled a further improvement in the health of the Italian manufacturing sector. The recovery lost momentum, however, as output growth slowed amid a renewed fall in order book volumes, linked to stricter coronavirus disease 2019 (COVID-19) related measures.

The seasonally adjusted IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI) – a single-figure measure of developments in overall business conditions – registered 51.5 in November and signalled a fifth successive monthly improvement in the health of the Italian manufacturing sector. Falling from 53.8 in October, however, the headline PMI signalled a slower rate of improvement.

A softer expansion of factory production and a renewed fall in order book volumes were responsible for the downwards movement in the headline figure. The rate of output growth was the slowest since June and only marginal overall.

Increased production requirements primarily stemmed from dealing with backlogs, however, as new orders declined for the first time in five months, amid reports of weak client demand due to stricter lockdown measures. Similarly, foreign order books declined for the first time since August, with panellists noting that tougher lockdown measures had stifled demand in key export markets. The rate of reduction was only fractional overall, and softer than that for total new orders, however.

Weak sales also led firms to pare back on purchasing activity for the first time in four months during November, with

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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:

"The Italian manufacturing sector continued to recover in November, although the rate of improvement softened noticeably on the month.

"Output growth eased to a marginal pace amid a renewed decline in total new orders, linked by panellists to stricter lockdown measures.

"Nonetheless, firms' continued to increase staff numbers during November, attributed to greater production requirements and expectations of a surge in demand once restrictions are loosened. This was reflected in the survey's principal forward looking indicator, which signalled ongoing optimism with regards to output in 12 months.

Overall, data remained promising, especially in the context of stricter COVID-19 related measures. With recent vaccine developments, there is hope that the economy can soon reopen fully, and in that eventuality the sector will be well placed to continue to make up lost ground."

the rate of reduction in buying activity marginal overall. Nonetheless, supply chain disruptions intensified, as average lead times for inputs lengthened to the greatest extent since May and markedly overall. Respondents noted shortages, boarder closures, transport delays and wider logistical issues due to COVID-19.

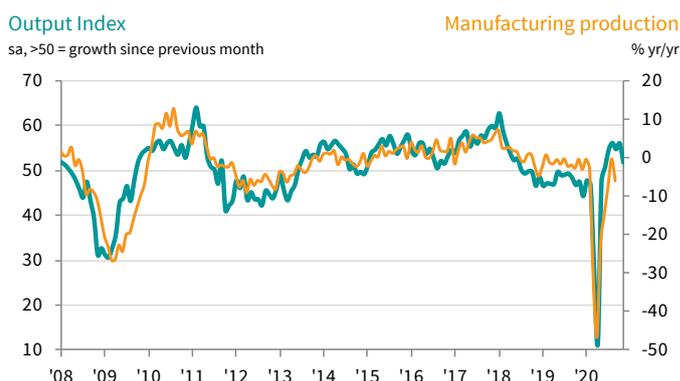
On the price front, a shortage of raw materials was the main driver of cost inflation, according to panellists. Input prices rose at the quickest rate for over two years.

Higher costs were partially passed through to clients in November, with the rate of charge inflation the quickest since March 2019, albeit only marginal.

November data highlighted a fifth successive monthly reduction in pre-production inventories. The rate of decline was the slowest since August and marginal, however. Holdings of manufactured items also declined, amid reports that orders were being fulfilled with inventories where possible.

Meanwhile, November data highlighted a further round of job creation, attributed by panellists to greater production requirements and expectations of higher demand. Moreover, the rate of increase quickened on the month. Subsequently, backlogs of work fell at a faster rate in November. Weak sales allowed firms to direct resources to unfinished orders, according to respondents.

Finally, firms remained confident with regards to output over the next 12 months. The level of positive sentiment was the lowest since May, but still historically elevated. Anecdotal evidence linked optimism to hopes of a global economic recovery and end to the pandemic.



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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 November 2020.

Data were first collected June 1997.

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