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# IHS Markit Italy Manufacturing PMI®

## Manufacturing recovery strengthens in January

### Key findings

Headline PMI highest since March 2018 amid sustained upturn in output

Order book growth quickens to solid pace

Supply chain issues push rate of cost inflation to fastest in nearly four years

Data were collected 12-22 January 2021.

Italy's manufacturing recovery continued into 2021, according to the latest PMI® data, with conditions improving at the sharpest rate since March 2018. Output growth was the fastest for three months, while the upturn in inflows of new work quickened to a solid pace.

Disruptions to supply chains intensified, however, with lead times for inputs lengthening to the greatest extent since May, pushing the rate of input price inflation to a near four-year high.

The seasonally adjusted IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI) – a single-figure measure of developments in overall business conditions – climbed from 52.8 in December to a 34-month high of 55.1 in January and signalled a solid improvement in the health of the manufacturing sector.

Central to the stronger recovery was a noticeably quicker rate of order book growth and a further sharp upturn in factory production. According to panellists, improved client demand drove the latest expansions in both output and new work.

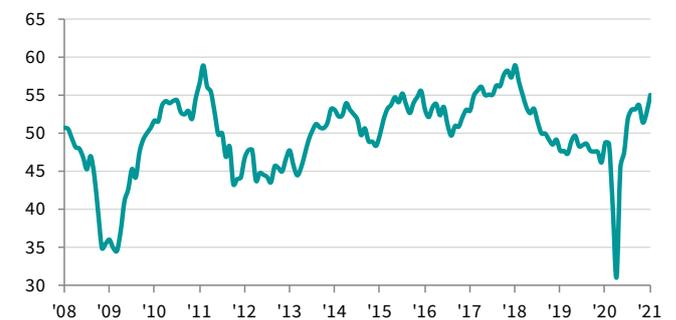
Gains in sales also came from abroad during the first month of 2021, as new export orders rose for the fourth time in five months and solidly, amid reports of stronger demand from both Europe and north America.

Meanwhile, firms continued to take on additional staff into January, with the latest rise in employment attributed to a surge in sales. The rate of job creation was unchanged from December's 29-month high and moderate.

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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 recovery strengthened into the new year, with a sustained upturn in output and quicker growth of new work pushing the headline PMI to a 34-month high.

"Although the sector appears to be powering through further COVID-19 restrictions, the pandemic continued to wreak havoc on supply chains in January, as lead times for inputs lengthened to the greatest extent since last May. Moreover, shortages and greater transport costs pushed the rate of input price inflation to a near four-year high, although firms were able to alleviate pressure on margins through higher average charges, thanks in part to a sustained surge in demand.

"Goods producers remained confident of higher output over the coming year during January, and indeed the manufacturing sector remains in relatively good stead as we enter 2021, with the recovery gathering further momentum in spite of 'red zone' restrictions in some areas."

The upturn in workforce numbers was also partly driven by increased capacity pressures in January. Backlogs of work at Italian goods producers rose for the first time in nearly three years, albeit only mildly overall.

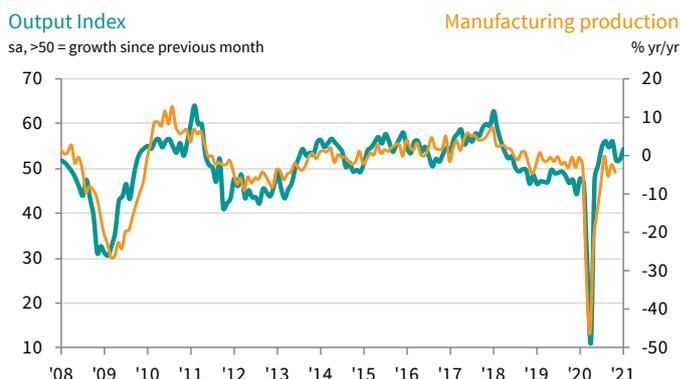
Stronger demand also led firms to accelerate their purchasing activity during January, with the rate of increase the quickest since early-2018 and sharp. Supply chains remained under severe strain, however, with delivery times lengthening to the greatest extent since May and markedly. According to respondents, stock shortages and coronavirus disease 2019 (COVID-19) related restrictions were the cause of delays.

Nonetheless, January data highlighted a quicker increase in pre-production inventories, while stocks of manufactured items rose for the first time since last May. Anecdotal evidence linked the bulking of stocks to improved demand conditions and efforts to sure up operations amid supply chain issues.

Turning to prices, input costs rose at the quickest pace for nearly four years during January, with respondents citing shortages and greater transportation costs as the main drivers of inflation.

Subsequently, factory gate charges rose further, as firms sought to pass through higher costs where possible. The rate of output price inflation, albeit marginal, was the quickest since late-2018.

Finally, firms remained confident with regards to output over the coming 12 months in January. Hopes of a swift end to COVID-19 related restrictions and a strong economic recovery were cited as reasons to be optimistic.



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](mailto:economics@ihsmarkit.com).

### Survey dates and history

Data were collected 12-22 January 2021.

Data were first collected June 1997.

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