

# IHS Markit Italy Manufacturing PMI®

## Manufacturing conditions improve at quickest rate since March 2018

### Key findings

Headline PMI rises to 31-month high

Accelerated growth of both output and total order books

Quickest rise in export orders for nearly three years

Data were collected 12-23 October 2020.

Latest PMI® data pointed to a sustained recovery in the Italian manufacturing sector, as operating conditions improved at the sharpest pace since early-2018 amid quicker growth of both output and total new orders. Export markets provided a further boost, with foreign order book volumes expanding at the quickest pace since January 2018.

The seasonally adjusted IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI) – a single-figure measure of developments in overall business conditions – climbed from 53.2 in September to 53.8 in October, and signalled a robust improvement in the health of the manufacturing sector.

The overall improvement was driven by further growth in factory production, with panellists attributing the latest uptick to higher sales. Indeed, total new orders increased at a quicker rate in October, and one that was sharp overall. Improvements in domestic demand were compounded by a similar boost abroad, as new export orders expanded at the sharpest pace for nearly three years.

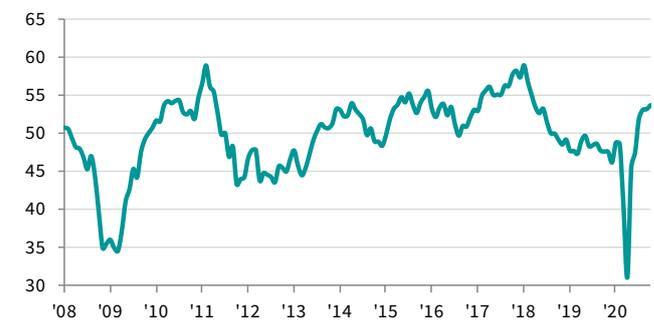
In line with higher sales and greater production requirements, Italian goods producers again increased their buying activity in October. The rate of expansion was the fastest in the current three-month sequence of growth, albeit still marginal.

Increased demand for inputs, alongside logistical issues, placed further pressure on manufacturing supply chains, however. Lead times lengthened to the greatest extent since May, although the extent of the disruption was much less severe than at the height of the pandemic in the spring.

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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:

"October data pointed to a sustained recovery in the Italian manufacturing sector. Operating conditions improved at the quickest rate since March 2018, with growth of both output and total new orders quickening on the month.

"Improvements in foreign demand continued to provide a boost to the sector, as export order books expanded at the sharpest rate since early-2018.

"All in all, the data provide some further, well needed, positivity, and suggest that the worst of the economic downturn in the goods producing sector is well behind us. But, with COVID-19 cases on the rise and new restrictions being introduced, the recovery has the potential to stall if factories are unable to operate, or if client demand falls considerably as it did in the spring."

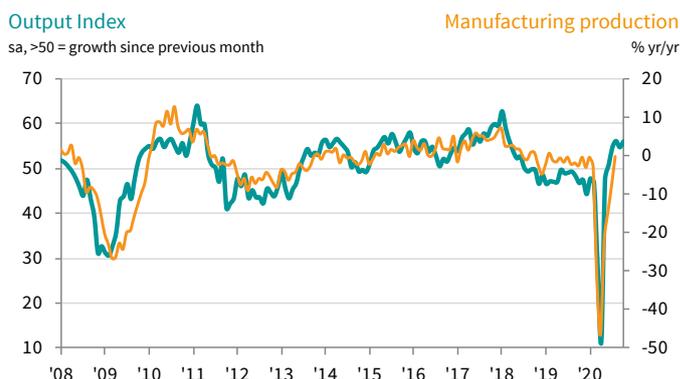
Supply chain disruptions and shortages were also linked to rising cost burdens during October. Input prices increased at the quickest rate since November 2018, with greater raw material costs and price hikes at suppliers also mentioned as drivers of inflation.

Despite higher cost burdens, Italian manufacturers resumed discounting in efforts to attract clients, with average selling prices falling slightly.

Meanwhile, October data highlighted a fourth consecutive drop in pre-production inventories, with panellists linking the latest reduction to the use of stocks in production. The rate of decline was the fastest since December 2019 and sharp. Still, stocks of finished goods were depleted at the most marked rate for over a decade in October. According to respondents, firms were using existing stocks to fulfil orders where possible.

At the same time, improved demand conditions led companies to again increase their staff levels during October. That said, job creation eased to only a fractional pace. Capacity pressures remained weak nonetheless, as the level of work in hand dropped further. The rate of backlog depletion was unchanged on the month and moderate.

Finally, the 12-month outlook for output remained positive in October. Confidence was linked to improved demand and hopes of a timely economic recovery. Despite moderating, the level of positive sentiment remained noticeably elevated in the context of the series history.



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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 12-23 October 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](https://ihsmarkit.com/products/pmi.html)