

IHS Markit Italy Manufacturing PMI®

Manufacturing recovery gathers further pace in March

Key findings

Output and new work expand at quickest rates for over three years

Price pressures mount as supply chain disruption worsens

Business confidence remains robust, while rate of job creation quickens

Data were collected 12-24 March 2021.

Italy's manufacturing recovery gathered further pace at the end of the first quarter, according to the latest PMI® data. Both output and new orders rose at the quickest rates for more than three years in March, amid reports of a further surge in client demand. Subsequently, firms took on additional staff at a sharper pace, while the year-ahead outlook for output remained robust.

Worsening supplier delays added further to inflationary pressures, however, with the latest rise in costs the most marked nearly for a decade.

The seasonally adjusted IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI) – a single-figure measure of developments in overall business conditions – registered 59.8 in March, up from 56.9 in February, and signalled the steepest improvement in manufacturing conditions for 21 years.

Each of the five constituent indices contributed to the upwards movement in the PMI during March, although further rapid growth of both factory production and new orders provided the greatest boost.

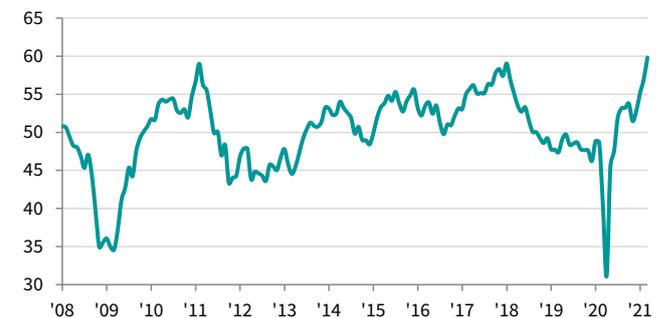
Inflows of new work rose at the steepest rate since January 2018, while the latest expansion in output was also the most marked for more than three years. Panellists attributed the rises to improved client demand, both domestically and abroad, while there were also mentions of stockpiling at customers due to supply delays.

Indeed, the Suppliers' Delivery Times Index sunk further

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:

"March data highlighted a further acceleration of Italy's manufacturing recovery. Both output and new orders registered the steepest expansions for more than three years, with panellists reporting surging sales due to improved client demand. Subsequently, firms continued to take on additional staff to cope with workloads, while business confidence remained robust.

"However inflationary pressures continued to mount, with input costs rising at the fastest pace for nearly a decade and leading to a near record rate of charge inflation as firms attempt to maintain margins. Supply chain delays were cited the principal cause of higher cost burdens, as lead times for inputs lengthened to the greatest extent since the height of the pandemic last April.

"With the sector showing substantial growth throughout the first quarter, it is safe to say the manufacturing recovery is well underway. If demand conditions remain strong, even in light of further lockdown measures, we are likely to see a sustained upturn through the coming months. Headwinds from supply chain issues may knock growth of course, however, and with firms already noting attempts to stock inventories to shield themselves, any further delays or shortages could disrupt production."

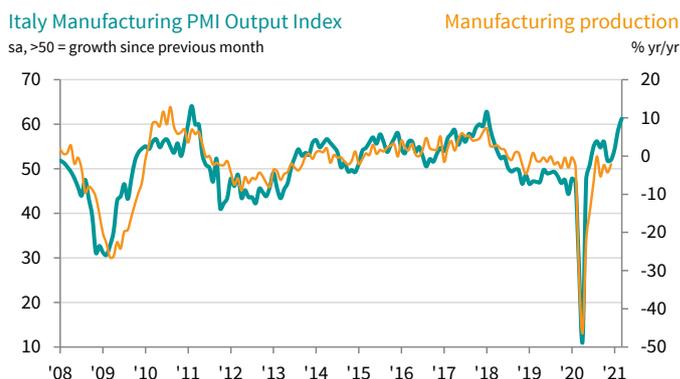
below the 50.0 mark and signalled the most severe delays since April 2020 during March. According to respondents, shortages and logistical issues stemming from the pandemic were the main causes of longer lead times.

Meanwhile, average cost burdens facing Italian goods producers rose again, with the latest uptick the steepest for nearly ten years. Greater raw material costs, price hikes at suppliers and rising transportation fees drove the latest round of cost inflation, according to anecdotal evidence. In response, firms again upped their average charges in March. The rate of inflation was the most marked for a decade.

Nonetheless, firms purchased inputs at an accelerated pace in March in an attempt to firm up inventories. Buying activity rose at the fastest pace since April 2003, although stocks of purchases nonetheless declined for a second month running. At the same time, holdings of finished goods fell for the second straight month and at the sharpest pace since last October, amid reports that sales were outstripping the pace of production.

March data also highlighted ongoing capacity pressures at Italian goods producers. Backlogs of work rose for the third straight month, with the rate of accumulation among the fastest on record. As a result, companies again took on additional staff at the end of the first quarter. The upturn in employment was the sharpest since January 2018.

Looking ahead, Italian manufacturers remained confident of higher output over the coming 12 months. Sentiment remained robust and historically elevated, despite moderating on the month. Optimism was attributed by panellists to hopes of further improvements to client demand and a sustained recovery once restrictions were loosened.



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 12-24 March 2021.

Data were first collected June 1997.

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