

IHS Markit Italy Manufacturing PMI®

Manufacturing growth remains rapid, but hampered by supply delays

Key findings

Further substantial upturns in output and new work

Pace of job creation accelerates amid stronger capacity pressures

Inflationary pressures remain severe as supply delays intensify

Data were collected 13-23 September 2021.

The final month of the third quarter saw another rapid upturn in Italian manufacturing conditions, according to the latest PMI® data. Both output and order book volumes rose substantially, although the rates of growth waned amid substantial supply delays and material shortages, which were also responsible for severe inflationary woes. Nonetheless, amid more intense capacity pressures, firms took on staff at a quicker pace.

The seasonally adjusted IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI) – a single-figure measure of developments in overall business conditions – registered 59.7 in September to signal a fifteenth straight monthly improvement in manufacturing conditions. The headline figure was down from 60.9 in August, indicative of the slowest rate of expansion since February, but one that was still rapid overall.

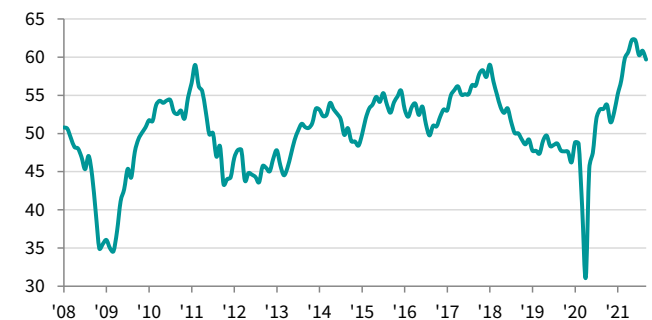
Strong demand conditions and a further rise in factory production continued to drive growth during September. Order book volumes at Italian goods producers increased further, amid reports of robust client demand and surging sales. Growth did ease to the weakest for seven months, but was still rapid. Meanwhile, inflows of new work from abroad rose steeply.

As a result, output increased for the sixteenth month in a row. The rate of expansion was the slowest since February as growth momentum waned, but still marked overall.

Greater production requirements were also attributed by panellists to a further uplift in purchasing activity in September. The rate of increase in buying was sharp, but the

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:

"The latest PMI data highlighted a further improvement in Italian manufacturing conditions, with the rate of expansion easing only slightly on the month.

"Growth was driven by further steep upturns in output and new orders, with respondents continuing to report strong demand conditions. The rates of increase did slow, and were the weakest since February, but remained among the fastest on record nonetheless. Subsequently, goods producers took on staff at an accelerated pace.

"Supply disruption continued to hold the sector back, however. Delivery delays intensified, amid widespread reports of material shortages and logistical issues. As a result, firms were left waiting for inputs before completing orders, which combined with strong demand, led to another sharp upturn in capacity pressures.

"Supply chain issues also fed through to another substantial round of inflation across the manufacturing sector. Input costs increased rapidly, with the increase close to June's unprecedented pace, while companies upped their factory gate charges to the fourth greatest degree on record.

"Overall, the sector continues to perform well, with growth remaining rapid despite supply and inflationary issues. It is these issues themselves, however, which may pose ongoing significant challenges in the coming months."

slowest recorded for seven months.

Meanwhile, supply disruption continued into the closing month of the third quarter. Average lead times for inputs lengthened substantially again, with delays the fourth most severe on record. According to respondents, material shortages and transport problems were the main cause of delays.

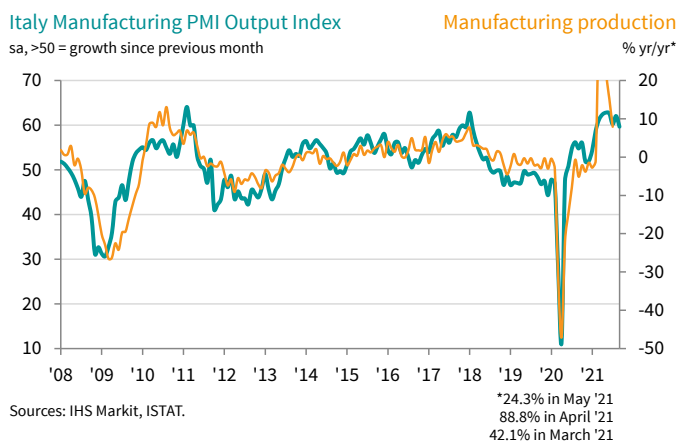
Supply issues again had knock on effects for both inventories and capacity in September. Stocks of purchases fell sharply, following a slight rise in August, with panellists commenting on delays receiving shipments of materials.

At the same time, backlogs of work rose at a faster pace and one that was steep overall, amid reports that manufacturers were waiting on inputs to complete orders. There were also mentions of the need for additional staff.

Indeed, Italian goods producers took on staff for the thirteenth successive month in September. Anecdotal evidence attributed the latest increase in employment to attempts to alleviate capacity pressures and keep up with sales. The rate of job creation quickened to a sharp pace.

September data also pointed to further severe inflationary woes facing Italian firms. Cost burdens increased again, with the rate of inflation remaining rapid, despite slowing further from June's peak. Panellists linked the rise to greater material costs, shortages, and price hikes at suppliers.

In response, firms again raised their average selling prices in September. The rate of increase in average charges quickened since August and was the fourth steepest in 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.

Survey dates and history

Data were collected 13-23 September 2021.

Data were first collected June 1997.

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