

News Release

Embargoed until 0945 CEST (0745 UTC) 02 May 2022

S&P Global Italy Manufacturing PMI[®]

Output growth slows to 22-month low as shortages continue to hamper production

Key findings

Rate of expansion in output eases to weakest since June 2020

Growth of new work slows amid stagnating export demand

Firms raise charges at unprecedented rate

April PMI[®] data from S&P Global pointed to another subdued performance of the Italian manufacturing sector. Factory production rose at the weakest pace since June 2020 as firms struggled in the face of shortages of inputs, long delivery times, and slower demand growth. Meanwhile, costs facing Italian goods producers continued to surge, with the rate of inflation edging up to a four-month high. In response, companies raised their selling prices at a series record pace.

The seasonally adjusted S&P Global Italy Manufacturing Purchasing Managers' Index[®] (PMI[®]) posted 54.5 in April, down from 55.8 in March. Although indicative of a twenty-second consecutive monthly improvement in operating conditions, the latest figure was the lowest since December 2020, signalling a loss of momentum. The index also continued to be artificially lifted by severe delivery delays (the survey's Suppliers' Delivery Times Index is inverted in the PMI calculation).

Underlying sub-index data highlighted concerning trends, as output growth slowed to the weakest since June 2020 amid reports that supply delays and material shortages were hampering production, and demand growth had cooled. Indeed, the rate of expansion in total order book volumes in April was the weakest since December 2020, reflecting in part a broad stagnation in foreign demand for Italian goods.

Meanwhile, average lead times for inputs lengthened for the twenty-eighth month running during April. Panellists linked the latest deterioration in vendor performance to material shortages and logistical issues. Delays were the most widespread since January and amongst the most severe on record.

With shortages weighing on production growth and supply delays ongoing, goods producers reported a further, albeit slower, uplift in buying activity in April, linked through anecdotal evidence to efforts to build safety stocks and higher production requirements. Nonetheless, stocks of

Italy Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 11-22 April 2022.

Comment

Lewis Cooper, Economist at S&P Global, said:

"Supply issues and material shortages continued to hamper production growth across Italy during April. Factory production expanded at the weakest pace since June 2020, while order book volumes rose at the weakest pace for 16 months, reflecting a broad stagnation in export demand, as companies battled with input shortages and cooling demand growth."

"Supply issues were again accompanied by surging costs at the start of the second quarter of the year, as scarcity of materials led to further price hikes at suppliers, according to survey respondents. The rate of cost inflation hit a four-month high and was amongst the steepest on record, with higher energy and transport fees also cited as drivers of inflation. In response, manufacturers raised their charges at the quickest rate on record."

"Overall, the sector is just about weathering the storm of input shortages and rising costs, but with demand growth cooling, the challenges are likely to become more severe unless shortages can be alleviated. These issues, combined with the war in Ukraine all dampened business confidence in April, with sentiment towards output over the next year barely improving from the two-year low recorded in March."

PMI[®]

by S&P Global

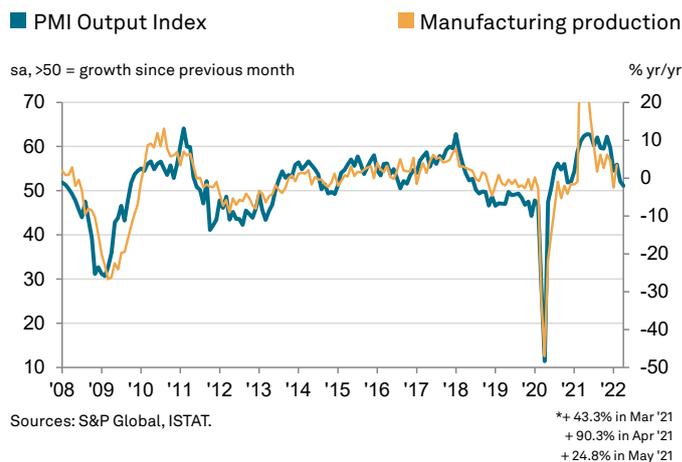
purchases declined for the first time since September 2021, amid widespread reports of material shortages. Post-production inventories also decreased in April, with the reduction also attributed to supply issues and the subsequent use of inventories to fulfil orders.

Turning to prices, manufacturers registered another steep uplift in costs during April, with the rate of inflation picking up to a four-month high. Surging energy, material, and transport costs were all cited as drivers of inflation. In response, Italian firms again raised their factory gate charges in April. Notably, the rate of increase was the steepest on record.

Elsewhere, capacity pressures continued to build, as backlogs of work at Italian goods producers rose for the sixteenth time in as many months. Material shortages had reportedly weighed on firms' ability to fulfil orders. Although sharp, the rate of backlog accumulation was the weakest for eight months.

Concurrently, goods producers continued to take on additional staff in April. The rate of job creation was the slowest since November 2020, however.

Looking ahead, firms remained upbeat towards output over the next year during April, but the level of sentiment was heavily subdued. The Future Output Index was little changed on the two-year low recorded in March and below average. The war in Ukraine and severe inflationary pressures had weighed on optimism, according to anecdotal evidence.



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Survey methodology

The S&P Global Italy Manufacturing PMI® is compiled by S&P Global 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. Data collection began in June 1997.

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.

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