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IHS Markit Italy Manufacturing PMI®

Italian manufacturing growth remains close to record rate in June

Key findings

Further rapid upturns in output and new orders

Job creation stays close to recent peak as capacity pressures surge

Most severe supply delays on record add to inflationary pressures

Data were collected 11-23 June 2021.

The Italian manufacturing sector continued along its rapid growth path during June, according to the latest PMI® data. Output rose steeply again, with the rate of increase slowing only fractionally from May's recent high, while sales continued to surge. As a result, capacity pressures intensified, and goods producers continued to take on additional staff at a near record pace.

Meanwhile, delivery delays worsened again, with lead times lengthening to a record extent during June. Shortages and supplier issues again added to inflationary woes, as input prices increased at an unprecedented rate

The seasonally adjusted IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI) – a single-figure measure of developments in overall business conditions – posted 62.2 in June, largely unchanged from May's reading of 62.3, and signalled the second-quickest improvement in the health of the sector in the survey's 24-year history.

Key to the sustained upturn in June were further expansions of both new orders and output, with growth remaining rapid, despite slowing from their respective all-time and 40-month record rates. According to anecdotal evidence, improved client confidence, firmer demand conditions and the easing of lockdown measures were key drivers of the latest increases.

New work from abroad also continued to rise during June, amid reports that looser COVID-19 restrictions across key markets had boosted sales. The rate of increase in export

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 manufacturing boom showed little signs of slowing during June, with the PMI remaining close to its survey record amid further rapid upturns in both output and new orders.

"Surging demand added to capacity pressures, however, due in part to the most severe supply delays on record and widespread reports of material shortages.

"This disruption to supply chains continued to add to inflationary woes, as firms struggled to get hold of raw materials and faced higher transport and logistical costs. Input price inflation was the fastest seen in the survey's 24-year history, while factory gate charges increased steeply again.

"Firms also took on additional staff in June, with the rate of job creation easing only slightly, suggesting that many expect demand to remain strong into the future."

order books was marked, albeit the slowest since February.

Surging sales placed stronger pressure on capacity at goods producers, however, with backlogs of work rising at the quickest rate in the series history and sharply overall. As a result, firms continued to take on additional staff during June. The rate of job creation eased on the month, but was sharp nonetheless.

June data also pointed to intensified supply pressures. Average lead times for inputs lengthened to the greatest extent on record, with anecdotal evidence attributing delays to material shortages and logistical problems.

Shortages continued to push costs higher still during June, according to panellists, with the rate of input price inflation the strongest in the survey's history. Factory gate charges also rose, with the pace of increase slowing only slightly from May's record. Respondents noted that greater costs burdens had been passed through to clients where possible.

Meanwhile, goods producers recorded the quickest rate of input buying on record during June. Greater production requirements and the building of buffer stocks were both attributed to the latest increase.

Pre-production inventories fell further, however, amid reports that stocks were being used in production. The rate of decline remained sharp. Holdings of finished goods decreased at the sharpest pace on record, meanwhile, with panellists noting that orders were being dispatched as soon as possible.

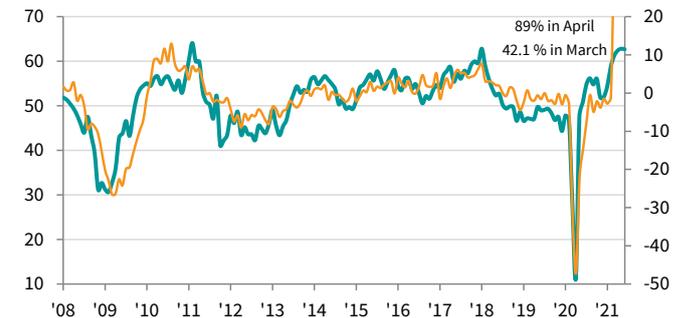
Finally, firms remained upbeat towards output over the next year. Sentiment improved on the month and was historically elevated.

Italy Manufacturing PMI Output Index

sa, >50 = growth since previous month

Manufacturing production

% yr/yr



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 11-23 June 2021.

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