

IHS Markit Italy Manufacturing PMI®

Growth remains close to record pace in July, although momentum slows

Key findings

Rapid, but slower, upturns in output and new work

Firms take on staff amid sustained capacity pressures

Inflationary pressures remain severe, with record rise in output charges

Data were collected 12-23 July 2021.

Italy's manufacturing sector saw a further rapid improvement in conditions in July, according to the latest PMI® data. Growth remained close to a record pace, although momentum waned slightly and was the slowest since February as capacity pressures and supply disruptions hindered the performance of the sector.

The seasonally adjusted IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI) – a single-figure measure of developments in overall business conditions – posted 60.3 in July, down from 62.2 in June and the lowest since March. Nonetheless, the latest reading was the fourth highest on record and pointed to a rapid improvement in the health of the manufacturing sector.

Strong rates of increase in both factory production and order book volumes remained key to overall growth in July. Output rose for the fourteenth straight month, with the latest rise marked, albeit the slowest for five months. According to respondents, looser COVID-19 restrictions and the reopening of some sectors of the economy had boosted demand.

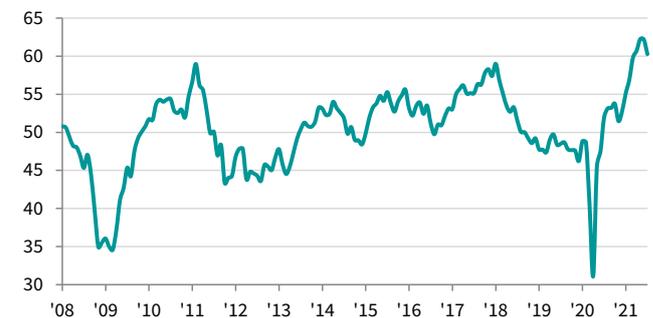
Indeed, inflows of new work rose further in July, extending the current sequence of expansion to eight months. Order book growth too lost momentum, although the rate of increase was still among the quickest on record and rapid. A sustained upturn in foreign demand was also recorded, with the rate of expansion in largely unchanged from June and marked.

Strong sales and greater production requirements led firms

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:

"Italy's manufacturing sector continued its run of strong growth in July. Momentum waned slightly, however, as supply delays and capacity pressures impacted factory production. Nonetheless, the latest upturns in output and new work were rapid, with panellists noting that looser COVID-19 restrictions and the reopening of some sectors had continued to boost client demand.

"Inflationary pressures remained prevalent too in July, with widespread reports of material shortages and price hikes at suppliers attributed by respondents to a near record rate of cost inflation. Greater costs were again passed through to clients, as average charges rose at a series record pace.

"Firms remain optimistic of higher output in 12 months' time, although concerns surrounding the spread of COVID-19 and the potential for the reintroduction of lockdown restrictions did weigh heavily on confidence.

"Overall, July data pointed to another stellar performance. Growth remained close to a record pace, and was hindered only slightly by ongoing supply constraints and capacity pressures. Nonetheless, latest IHS Markit estimates suggest a more than 10% annual increase in Italian industrial production over the course of 2021."

to raise their purchasing again during July, according to anecdotal evidence. The rate of increase in buying activity was marked, albeit the slowest since February. Some respondents noted that they were purchasing more inputs in an effort to stave off supply disruptions as average lead times for inputs lengthened to the third greatest degree on record. Panellists blamed longer lead times on material shortages, logistical issues, and surging demand for inputs.

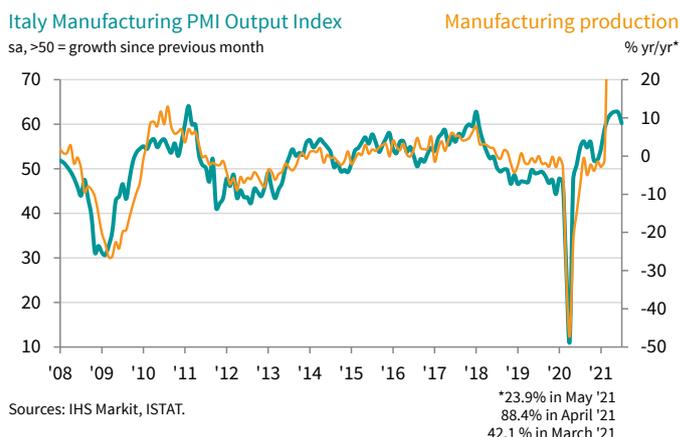
Supply disruptions were also reported as a driver of the latest fall in pre-production inventories. The rate of reduction was the quickest since April and sharp.

Inventories of finished goods also decreased during July, with respondents noting that strong sales had meant orders were being dispatched as soon as they were ready. The latest fall was noticeably slower than in June, but still marked overall.

An eleventh successive monthly increase in staffing levels was recorded in July. The rate of job creation was the joint fourth quickest on record, despite slowing on the month. The latest upturn in employment was partially driven by stronger capacity pressures, as backlogs of work rose at the second steepest rate on record.

Inflationary pressures remained severe in July. Input prices rose at the second quickest pace on record, amid widespread reports of shortages and price hikes at suppliers. In response, firms increased their average charges at the steepest rate in the series history.

Looking ahead, firms remained upbeat towards the year-ahead outlook for output. The level of sentiment moderated to a 15-month low, however, with some panellists citing concerns of rising COVID-19 cases and the potential for further containment measures.



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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 12-23 July 2021.

Data were first collected June 1997.

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