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IHS Markit Italy Manufacturing PMI®

Manufacturing conditions improve further in December

Key findings

Faster rise in output as new orders return to growth

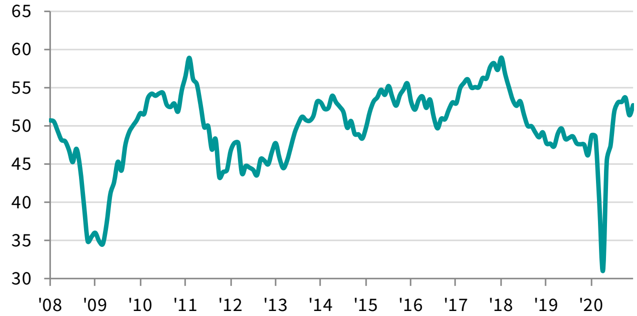
Job creation quickens to near two-and-a-half year high

Supply chain disruption intensifies, while costs rise markedly again

Data were collected 04-16 December 2020.

Italy Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Latest PMI® data pointed to a further improvement in Italian manufacturing conditions during December, with output growth quickening amid a renewed upturn in order book volumes. Furthermore, firms continued to take on additional staff, with the rate of job creation accelerating to a moderate pace.

Ongoing coronavirus disease 2019 (COVID-19) lockdown measures around the world continued to impact supply chains, however, with average lead times lengthening to the greatest extent since May. Shortages and delays pushed costs up further, and input prices rose markedly.

The seasonally adjusted IHS Markit Italy Manufacturing Purchasing Managers' Index® (PMI) – a single-figure measure of developments in overall business conditions – registered 52.8 in December, rising from 51.5 in November, and signalled a moderate improvement in the health of the manufacturing sector.

Central to the sustained recovery was a seventh consecutive monthly increase in output, with the rate of growth quickening on the month amid reports of improved demand in some sectors. There was also a renewed upturn in inflows of new work, although the rate of expansion was only fractional overall.

Looser COVID-19 related restrictions in key markets led to a surge in foreign demand, however. New export orders rose solidly, following a slight decline in November.

Nonetheless, amid greater production requirements, firms

continued...

Comment

Commenting on the latest survey results, Lewis Cooper, Economist at IHS Markit, said:

"The Italian manufacturing recovery continued at the close of the year, with output expanding for the seventh straight month. Order books returned to growth, although barely, with gains coming mostly from foreign demand which saw a strong rebound from the slight fall in November.

"COVID-19 measures continued to impact supply chains, however, with delays the most severe since May. Shortages and transport fees pushed costs higher again, with goods producers registering the most marked rate of input cost inflation since mid-2018.

"Nonetheless, amid the ongoing recovery, manufacturers were the most confident of output growth in 12 months' time since August, citing hopes of improved demand and a robust economic rebound following the pandemic and positive vaccine news."

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took on additional staff for the fourth straight month. Moreover, the rate of job creation was the quickest for nearly two-and-a-half years.

Meanwhile, backlogs of work declined further in December, with the rate of reduction the slowest since April and modest overall.

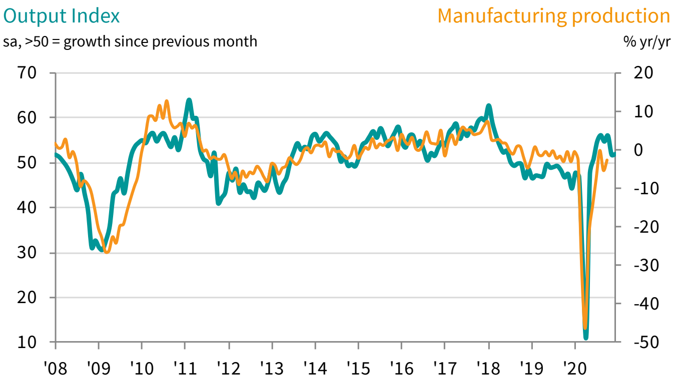
Concurrently, COVID-19 related measures were linked to a further deterioration in vendor performance during December. Lead times for inputs lengthened to the greatest extent since May.

Subsequently, cost burdens rose again in December, with panellists attributing the latest increase to shortages, higher prices at suppliers and greater raw material and transport costs. The rate of inflation was the most marked since July 2018.

In response to higher costs, average factory gate charges at Italian goods producers rose for the second month in a row. The rate of increase quickened to a two-year high, though remained modest.

December data also highlighted a renewed increase in buying activity, amid reports that firms were bulking inventories in response to improved sales and in anticipation of higher demand. Indeed, stocks of purchases rose for the first time since June, albeit only slightly. Holdings of manufactured items declined again, however, linked by respondents to the timely delivery of orders.

Looking ahead, firms remained confident of higher output in 12 months' time during December. In fact, the level of positive sentiment climbed to a three-month high, with positive news of a vaccine, improved sales and hopes of a robust economic recovery all cited in anecdotal evidence as reasons to be optimistic.



Sources: IHS Markit, ISTAT.

Contact

Lewis Cooper
Economist
IHS Markit
T: +44-1491-461-019
lewis.cooper@ihsmarkit.com

Katherine Smith
Public Relations
IHS Markit
T: +1 781 301 9311
katherine.smith@ihsmarkit.com

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 04-16 December 2020.

Data were first collected June 1997.

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About PMI

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.

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