

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit Italy Manufacturing PMI[®]

Strong growth of manufacturing sector sustained in September

Key points:

- Output and new orders retain positive growth trends
- Jobs added at near survey-record pace
- Expectations positive, but price pressures mount

Data collected September 12-22

Italy's manufacturing sector continued to exhibit strong growth during September, with output, new orders and employment all continuing to rise at above average rates. Strong demand for manufactured goods was again widely reported, and companies remained confident that growth would be sustained over the next year.

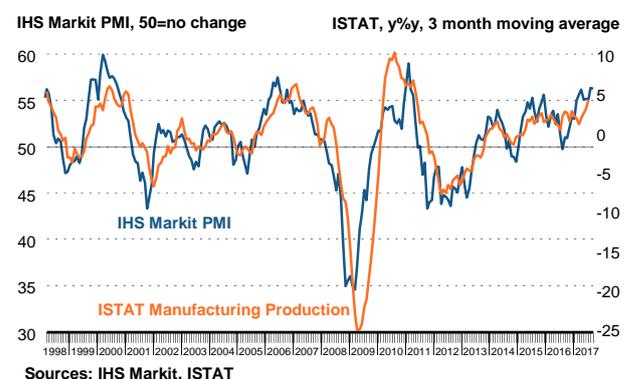
However, cost pressures intensified, amid reported shortages of inputs, and this led to output charges being raised to the greatest extent since May.

The headline IHS Markit Italy Manufacturing *Purchasing Managers' Index[®]* (PMI[®]) – a single-figure measure of developments in overall business conditions – held steady at a six-and-a-half year peak of 56.3 in September. The PMI has now posted above the 50.0 no-change mark for 13 months in succession.

Manufacturing production continued to increase at a notable rate during September. Growth was again supported by sharply rising levels of incoming new business, with a healthy mixture of new contract wins recorded from both domestic and international clients. Demand for capital goods was especially strong, with this category recording the sharpest gains in both total and export new business.

Capacity pressures remained evident during the month, with backlogs of work rising for a fifth month in succession. Manufacturers responded by adding to their workforce numbers at a rate that was close to May's near survey record increase.

IHS Markit Italy Manufacturing PMI



Positive projections for output over the coming months also encouraged capacity expansion during the month. Nearly 42% of the survey panel indicated expectations for growth, with planned product launches forecast to perform well in a fertile demand environment.

Meanwhile, latest price data showed another round of input cost rises during September. Companies reported that raw material prices in general were rising, leading to the sharpest overall increase in input costs recorded by the survey since April.

Greater price pressures were in part driven by shortages of materials at vendors. September's survey showed that average lead times lengthened for a twelfth month in succession, and to a considerable degree. Increased demand added to pressure on suppliers, as evidenced by another sharp increase in purchasing activity by Italian manufacturers. The strong rise in input buying enabled firms to marginally add to their inventories of purchases for the second time in the past three months.

Finally, over 11% of panellists chose to increase their own output charges in September as part of efforts to protect margins. Latest data showed that the rate of inflation was the sharpest recorded by the survey for four months.

Comment:

Paul Smith, Director at IHS Markit which compiles the *Italy Manufacturing PMI*® survey, said:

“Italy’s manufacturing sector hummed in September, with output and new orders continuing to rise at noticeable rates and underpinning the joint fastest expansion in six-and-a-half years.

“The sector is continuing to benefit from a fertile demand environment, with orders rising from both domestic and international sources and that in turn continues to underpin positive gains in employment and purchasing.

“However, with strong growth and rising capacity strain, price pressures are picking up as evidenced by a notable rise in input costs.

“And inflation is being driven by fundamentals, as strong demand for inputs means vendors are struggling to keep up with average lead times lengthening notably again in September.”

-Ends-

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Notes to Editors:

The IHS Markit Italy Manufacturing PMI Report is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by Standard Industrial Classification (SIC) group, based on the industry contribution to Italy GDP, and by company workforce size.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The IHS Markit Italy *Manufacturing Purchasing Managers' Index*[®] (PMI[®]) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

The *Purchasing Managers' Index*[®] (PMI[®]) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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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. To learn more go to www.markit.com/economics.

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