

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

Manufacturing output growth remains robust at start of third quarter

Key points:

- July sees sustained strong growth of output and new orders
- Job creation slips to seven-month low as business confidence wanes
- Purchase prices rise at slowest rate in nine months

Data collected July 12-24

Italy's manufacturing economy continued to show solid growth at the start of the third quarter, with the latest IHS Markit *PMI*[®] survey data indicating robust increases in output and new orders. Factory employment also rose, though the rate of job creation was at a seven-month low amid a weakening of manufacturers' confidence towards the outlook. Inflationary pressures meanwhile showed further signs of easing as input and output prices rose at slower rates.

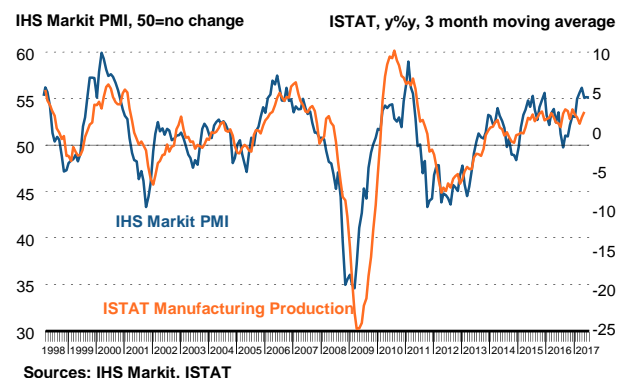
The headline IHS Markit Italy Manufacturing *Purchasing Managers' Index*[®] (*PMI*[®]) – a single-figure measure of developments in overall business conditions – registered a reading of 55.1 in July, little-changed from 55.2 in June. This signalled a solid rate of improvement in overall business conditions, and one that was broadly in line with the average recorded over the first half of the year.

July's survey showed another strong, albeit slightly slower, increase in factory production. Makers of intermediate goods led the upturn, while a slowdown in growth of consumer goods output was behind the weaker overall pace of expansion.

New orders, on the other hand, rose at a faster rate in July, the quickest seen in three months. The pick-up in inflows of new work was attributed by survey respondents to stronger underlying demand, and resulted in an accelerated increase in the level of outstanding business among manufacturers.

July also saw sustained growth of new export orders, albeit at a slower rate than the month before. Companies highlighted Germany and the

IHS Markit Italy Manufacturing PMI



US as being sources of new business.

Factory employment continued to rise during July, driven by increasing order books. However, although remaining solid overall, the rate of job creation was the slowest seen in 2017 so far.

Manufacturers' confidence towards growth prospects in the year ahead meanwhile deteriorated to the lowest since December 2014. On balance, firms still expect output to rise over the next 12 months, but the degree of optimism has dropped noticeably since the start of the year.

On the price front, latest data showed a further slowdown in the rate of input cost inflation facing manufacturers, to the lowest in nine months. Average factory gate prices also rose more slowly in July, with the rate of increase the slowest since last December and only modest overall.

Supplier delivery times increased sharply in July, showing one of the most marked deteriorations in vendor performances in the past six years. This partly reflected stronger demand for inputs, with manufacturers' quantities of purchases increasing for the ninth month in a row.

Pre-production inventories rose slightly and for the first time in seven months; however, stocks of finished goods continued to fall.

Continues...

Comment:

Phil Smith, Principal Economist at IHS Markit which compiles the *Italy Manufacturing PMI[®]* survey, said:

“The manufacturing sector made a bright start to the second half of the year, continuing its recent spell of solid growth with substantial gains in output, new orders and exports.

“The immediate prospects for the sector look secure, with growing backlogs pointing to capacity pressures and scope for further expansions in output and employment. However, manufacturers’ production expectations for 12 months ahead have waned, to the lowest in over two-and-a-half years, which raises some concerns about just how long growth can be sustained at the current high level.

“Easing price pressures remained another key feature of the survey, with input cost inflation now having slowed in each of the past five months to the lowest since last October.”

-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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