

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
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## IHS Markit Italy Manufacturing PMI<sup>®</sup>

### Manufacturing PMI at six-and-a-half year high in August

#### Key points:

- Factories see faster growth in output, new orders and employment
- Supplier lead times show sharpest increase in over six years
- Future expectations dip to lowest since December 2014

Data collected August 11-23

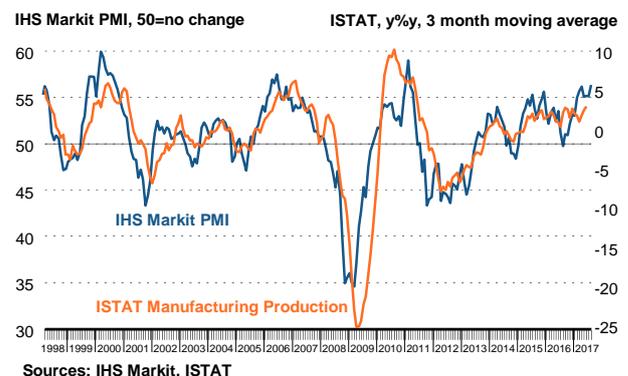
Italy's manufacturing economy saw an acceleration in growth mid-way through the third quarter, according to latest *PMI<sup>®</sup>* survey data from IHS Markit. Output and new orders both showed steep rates of increase that were among the fastest recorded since early-2011. However, despite the positive headline numbers, goods producers' confidence towards future output was shown to have weakened to the lowest in over two-and-a-half years, and they also faced the worst delivery delays for almost six years.

The headline IHS Markit Italy Manufacturing *Purchasing Managers' Index<sup>®</sup>* (*PMI<sup>®</sup>*) – a single-figure measure of developments in overall business conditions – climbed to a six-and-a-half year peak of 56.3 in August, from July's 55.1. The higher index reading reflected not only faster growth in output, new orders and employment, but also a sharper lengthening of supplier delivery times.

New order growth in August was the second-fastest since February 2011, just shy of April's recent record. The survey data indicated a combination of stronger domestic sales and higher new export orders, with the latter rising at the joint-fastest rate since June 2014.

Growth in production also accelerated in August, showing the strongest increase in output for four months and far outstripping the long-run average. By main industrial group, the steepest rise in output was recorded among makers of intermediate goods - the sixth month running in which this has been the case.

#### IHS Markit Italy Manufacturing PMI



Amid a sustained build-up of backlogs of work and declining inventories, manufacturers sought to further expand capacity by raising staff numbers. Job creation during the month was slightly faster than in July, although it remained slower than that seen on average over the first half of the year.

Quantities of purchases (both raw materials and semi-finished goods) were also up, with the rate of growth at a four-month high. This in turn acted to put pressure on suppliers to the sector, whose delivery times increased (on average) to the greatest extent since April 2011.

August's survey meanwhile showed a pick-up in cost pressures faced by manufacturers, with the rate of input price inflation ticking up from July's nine-month low and moving back above the long-run average.

Higher costs were reflected in an increase in average factory gate prices, the tenth in as many months. The rate of inflation was at a three-month high, although it remained well below the recent peak reached in March.

Latest data meanwhile showed a further slight deterioration in manufacturers' confidence towards future growth prospects, with the degree of optimism signalled the lowest since December 2014. Although still strongly positive, sentiment has now weakened in five of the past six months.

## Comment:

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

*“Italy’s manufacturing sector saw an injection of pace mid-way through the third quarter, with the PMI moving to its highest level in six-and-a-half years in August. The sector’s robust rate of growth reflected a backdrop of rising demand both domestically and internationally which boosted factory production and employment.*

*“Manufacturers will be working hard to replenish depleted stocks and catch up on backlogs, boding well for the immediate outlook for production. However, the survey’s measure of year-ahead expectations, which fell to a 32-month low, suggests there’s a feeling among firms that the pace of growth could slow moving into late-2017 and 2018.*

*“The amount of pressure on supply chains points to a sellers’ market for materials, with manufacturers likely to see the continuation of strong purchase price inflation. Whether these costs are borne out in higher consumer prices will depend largely on the resilience of demand.”*

-Ends-

## For further information, please contact:

### IHS Markit

Phil Smith, Principal Economist  
Telephone +44 1491 461 009  
Email [phil.smith@ihsmarkit.com](mailto:phil.smith@ihsmarkit.com)

Joanna Vickers, Corporate Communications  
Telephone +44 207 260 2234  
Email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

### 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*<sup>®</sup> (PMI<sup>®</sup>) 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*<sup>®</sup> (PMI<sup>®</sup>) 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](mailto:economics@ihsmarkit.com).

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