

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

Manufacturing sector continues to expand markedly at end of 2017

Key points:

- Elevated gains in new orders and production recorded during December
- Capacity pressures encourage further workforce expansion
- Strong demand for inputs leads to lengthening delivery times and rising prices

Data collected December 5-14

The Italian manufacturing sector enjoyed a strong end to 2017, with output, new orders and employment all recording historically marked growth. However, delivery times continued to lengthen noticeably as firm demand for inputs placed pressure on vendors. This in part led to another strong rise in input prices, which in turn encouraged manufacturers to raise their own charges at a notable pace.

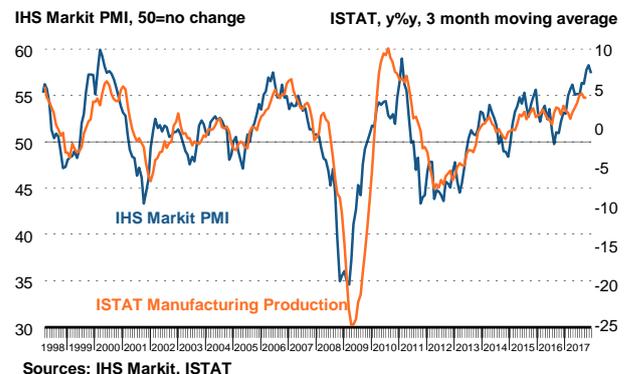
The headline IHS Markit Italy Manufacturing *Purchasing Managers' Index*[®] (PMI[®]) – a single-figure measure of developments in overall business conditions – recorded 57.4 for December. Although down on November's 58.3, which was the best reading in over six-and-a-half years, the PMI remained at an elevated level and indicative of a strong improvement in operating conditions.

Manufacturing output continued to rise sharply at the end of 2017 and higher production in December meant the current run of growth was extended to three years. In line with the recent trend, sharp gains in new orders were reported to be the primary factor driving growth in production.

Whilst the degree to which new orders rose was not as firm as November's 17-and-a-half year record, growth was again historically elevated. Strong demand from abroad, in particular neighbouring European economies, remained a key factor underpinning new contract wins.

Latest data showed that capital goods producers again recorded the strongest gains in production, new orders and export work during December.

IHS Markit Italy Manufacturing PMI



Overall manufacturing sector capacity remained under some pressure as 2017 drew to a close. Backlogs of work continued to increase solidly, albeit to a slightly weaker degree than November's series record. Manufacturers were subsequently encouraged to add to their workforce numbers at a notable pace, and thereby extend the current period of employment growth to three years.

Rising production requirements led to another increase in purchasing activity amongst Italian manufacturers. Growth was again sharp, adding further pressure on vendors. Average suppliers' delivery times deteriorated substantially in December and helped to underpin another sharp increase in input costs. Metals in particular were reported to have risen in price.

Manufacturers responded to an increase in their purchase prices by raising their own output charges markedly at the end of 2017.

Finally, optimism amongst panellists remained elevated during December. Over 40% of panellists are predicting growth in the coming 12 months, with confidence underpinned by recent gains in new work and expectations that the positive trend will be extended into 2018.

Comment:

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

“Growth of Italy’s manufacturing sector was sustained at an impressive pace as 2017 drew to a close, with the latest data confirming that industry remains a key driver of overall economic expansion.

“With strong demand from abroad – and widespread expectations amongst manufacturers that this will continue in the months ahead – the sector has momentum and is well placed to enjoy a strong start to 2018.

“Although the pipeline of new orders remains extremely positive, there are downside risks to sector expansion coming from the supply side. Vendors are struggling to keep up with surging demand, are running low on stocks and having to raise list prices, all factors that could place constraints on manufacturing growth in the months ahead.”

-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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