

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

Manufacturing sector sees slight loss of growth momentum in May

Key points:

- Manufacturing PMI at three-month low of 55.1
- Growth in output and new orders eases from recent highs...
- ...but rate of job creation picks up pace

Data collected May 12-23

Italy's manufacturing sector saw a slight loss of growth momentum in May, with rates of growth in output and new orders easing from their recent highs, according to the latest PMI[®] survey data. Goods producers maintained a strong appetite for new hires, however, with job creation running at close to its highest in the survey's 20-year history.

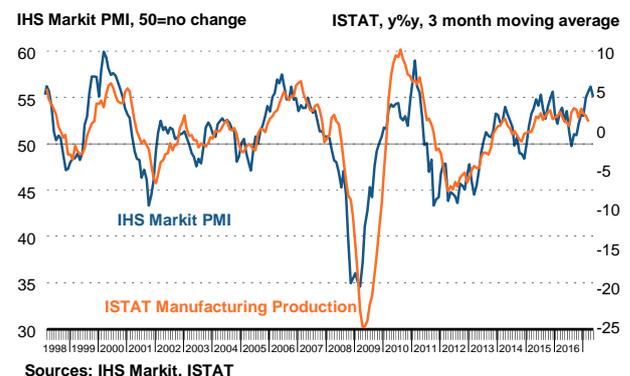
The headline IHS Markit Italy Manufacturing *Purchasing Managers' Index[®]* (PMI[®]) – a single-figure measure of developments in overall business conditions – registered a reading of 55.1 in May, to signal a further robust improvement in the overall health of the goods-producing sector. Down from April's 56.2, its highest score in over six years, the index did however signal a slight loss of growth momentum.

Production levels at manufacturers indeed rose at the slowest rate for four months in May. This largely reflected weaker growth in consumer goods production, although the intermediate and investment goods sectors continued to see strong rates of expansion.

New orders received by manufacturers likewise increased at a slower rate, with the pace of expansion easing a notch from April's recent high. That said, order book growth remained strong by historical standards, and businesses reported another substantial gain in incoming new business from abroad.

Manufacturers continued to take on additional staff midway through the second quarter, citing a need to boost capacity in line with increasing orders. The rate of job creation in May was in fact close to the

IHS Markit Italy Manufacturing PMI



fastest seen since the survey began in 1997 – second only to that seen in October 1999.

Backlogs of work among manufacturers increased in May, reversing a slight decrease in April. Post-production inventories were meanwhile pared down amid reports of stocks being used to fulfil orders. The rate of decline was solid and only slightly slower than that recorded in the preceding survey period.

Stocks of purchases also fell during the month. That was despite manufacturers' reporting another marked rise in buying levels to follow that recorded in April, which was the strongest seen for six years.

The upturn in demand for inputs was reflected in a further marked deterioration in vendor performance, with May seeing supplier delivery times increase to one of the greatest extents in the past six years.

On the price front, May's survey showed a further softening of inflationary pressures as input costs and factory gate charges both rose at slower rates, the weakest for seven and four months respectively. That said, rates of increase were still strong by historical standards, with anecdotal evidence pointing to the continued pass-through of higher raw material costs to clients.

Continues...

Comment:

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

“May’s manufacturing PMI survey produced another set of positive numbers, showing production levels rising further amid strong inflows of new business, albeit with rates of growth easing slightly from April’s six-year highs.”

“Arguably the best piece of news came on the employment front, with manufacturers reporting a near-record rate of job creation as part of efforts to bring capacity more in line with higher demand.”

“Price pressures meanwhile showed further signs of abating. Although still signalling relatively solid rates of inflation, the indices tracking firms’ input cost and factory gate charges moved to seven- and four-month lows respectively.”

-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 30 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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