

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

Manufacturing sector ends 2016 on a high note

Key points:

- Production shows largest increase since June
- Rising order books drive further job creation
- Fastest rise in input costs since February 2012

Data collected December 6-15

Italy's manufacturing sector showed the strongest output growth for six months in December, with an upturn in new orders helping drive a further increase in employment.

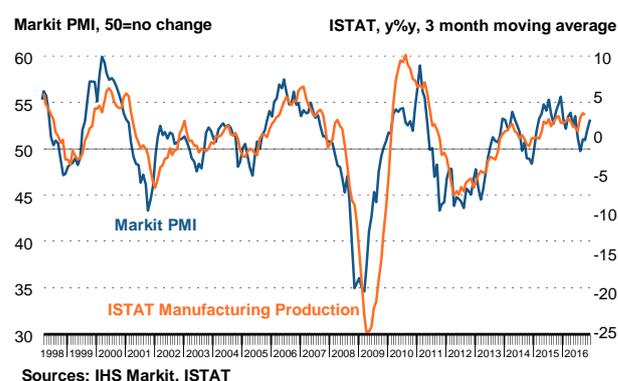
On the price front, input costs rose to the greatest extent since early 2012 amid reports of increasing raw material costs. However, manufacturers' factory gate prices were raised only modestly in comparison.

The headline Markit Italy Manufacturing *Purchasing Managers' Index*® (*PMI*®) – a single-figure measure of developments in overall business conditions – registered 53.2 in December, up from 52.2 in November and its highest reading since June. This pointed to a fourth straight monthly improvement in operating conditions in the manufacturing sector.

Supporting the index's rise in December was stronger growth of both output and order books, with rates of expansion at six-month highs respectively. A marked increase in new business from abroad was a key contributing factor, with export sales showing the strongest rise since April.

The number of people in employment across the manufacturing economy continued to grow during December, in line with the trend observed throughout the past two years. The rate of job creation was identical to the moderate pace seen in November. Higher staffing numbers helped goods producers to keep atop of growing workloads, with backlogs of work decreasing for the second time in the past three months, albeit only marginally.

Markit Italy Manufacturing PMI



Higher new orders and output requirements, meanwhile, gave a boost to manufacturers' quantities of purchases, which rose at the fastest rate for a year in December. This in turn contributed to a rise in stocks of purchases across the sector, the first since June. Post-production inventories, on the other hand, continued to be depleted, a trend that has been observed in each of the past six months.

Elsewhere, December's survey showed a third straight monthly increase in average delivery times faced by manufacturers. That said, the extent of the deterioration in supplier performance was only marginal.

Imparting pressure on manufacturers' profit margins, December saw a sharp and accelerated increase in average prices paid for purchases – the fastest since February 2012. The driving factor was a rise in the cost of raw materials, according to anecdotal evidence, with particular mention of higher prices paid for metals.

Although higher cost burdens led to another rise in factory gate prices in December, the second in as many months, the rate of increase was only marginal and slower than that recorded in the preceding survey period.

Continues...

Comment:

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

“The manufacturing sector in Italy ended 2016 with an upturn in performance, seeing the strongest rises in output and order books since June. A contributing factor was solid growth in export sales, which was at an eight-month high.

“More jobs were also created, but with price pressures mounting, firms will need to be increasingly resourceful to keep pace with demand while controlling costs.”

-Ends-

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Notes to Editors:

The 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 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.

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 Markit. Please contact economics@ihsmarkit.com.

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