

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

Surging output and orders underpin survey record increase in employment

Key points:

- Jobs created at greatest degree since survey started in June 1997
- Output and new orders rise at best rates since 2011
- Price pressures intensify in line with rising demand requirements

Data collected October 12-24

Underpinned by a survey record rise in employment, the best growth in output for six-and-a-half years and the strongest rise in new orders since February 2011, the Italian manufacturing sector enjoyed a considerable improvement in performance during October.

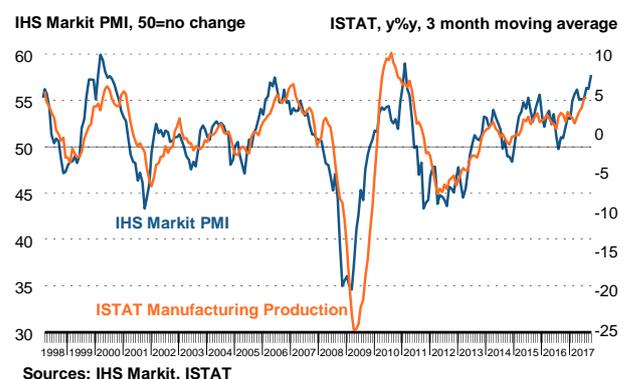
With export sales rising notably, supported by strong demand from Germany, companies remained confident that growth will be sustained.

Less positive, however, was an intensification of inflationary pressures. Input prices rose sharply, whilst output charges increased to the greatest degree since early 2011.

The headline IHS Markit Italy Manufacturing Purchasing Managers' Index[®] (PMI[®]) – a single-figure measure of developments in overall business conditions – strengthened to a six-and-a-half year high in October. The PMI posted 57.8, up from 56.3 in September and indicative of considerable growth of the sector. The PMI has now posted above the 50.0 no-change mark for 14 months in succession.

Production expanded at the strongest rate since April 2011 during October, with the capital goods sector recording a particularly strong increase in output. Strong demand was the primary factor supporting growth, with total new orders rising to the greatest degree in over six-and-a-half years. Anecdotal evidence implied that external demand was a key factor underpinning growth (rather than from within Italy itself).

IHS Markit Italy Manufacturing PMI



Germany was noted in particular as a source of new orders, particularly for capital goods, and total new export sales rose in October at a pace just shy of August's recent high.

Strong gains in output and new orders, allied with confidence that growth will be sustained (around 43% of the survey panel are forecasting a rise in production over the next 12 months), led companies to add to their workforce numbers during the latest survey period. Employment has now risen for 34 months in succession, with the latest increase the strongest recorded in over 20 years of data collection.

Despite strong growth in workforce numbers, capacity remained under pressure as evidenced by the second strongest rise in backlogs of unfinished work since the end of 2013. Manufacturers commented that an excess of orders relative to productive capacity led to higher levels of work outstanding.

Meanwhile, firms increased their purchasing activity to the greatest extent since February 2011. This raised pressure on suppliers and resulted in another notable deterioration in vendor performance. Raw material shortages were widely reported, and this was a key factor leading to the strongest cost inflation for seven months. In response, output charges were raised to the most marked rate in six-and-a-half years.

Comment:

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

“Italy’s manufacturing sector boomed at the start of the final quarter of 2017, with growth in both production and new orders surging at rates not seen since 2011.

“Anecdotal evidence implied that underlying demand from domestic sources remains relatively muted, so growth is being underpinned by sharply rising exports, especially to Italy’s largest trading partner, Germany. The country’s capital goods are in particularly strong demand.

“Further good news came on the employment front as surging activity and new orders spilt over into the labour market. In over 20 years of data collection, we have never seen such a strong monthly gain in staffing levels as companies seek to deal with rising workloads and plan for further growth in the coming months.”

-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

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