

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

Strongest growth of Italian manufacturing sector in nearly seven years

Key points:

- Production up to greatest degree since February 2011
- Order book growth amongst highest recorded since 2000
- Rise in employment second strongest in survey history

Data collected January 12-24

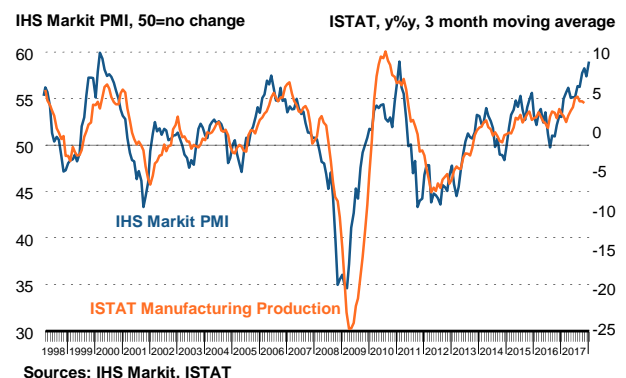
Italy's manufacturing sector enjoyed a strong start to 2018, registering the highest growth in output since early 2011 and one of the greatest rises in new orders of the past 18 years. Jobs were created at a faster rate as capacity came under further strain, but inflationary pressures intensified in line with growing supply-side shortages.

The headline IHS Markit Italy Manufacturing *Purchasing Managers' Index[®] (PMI[®])* – a single-figure measure of developments in overall business conditions – improved to a near seven-year high of 59.0 in January. That was up from December's 57.4 and represented a substantial improvement in operating conditions. The PMI has now continuously posted above the 50.0 no-change mark for 17 months.

Latest data revealed that production amongst Italy's manufacturing companies improved to the greatest degree since February 2011. Growth was broad-based and underpinned by an equally impressive gain in new business. Total new work rose at a pace only just short of November's 17-and-a-half year record amid reports of positive demand conditions both at home and abroad. Although the weakest for three months, new export business rose at a historically marked rate, with Europe and the USA cited as areas of new export growth at the start of 2018.

Capacity pressures mounted during the latest survey period as evidenced by another month of backlog accumulation.

IHS Markit Italy Manufacturing PMI



The response from many manufacturers was to bolster employment numbers, and January's survey indicated the second-strongest rise of employment in the survey history.

Faced with higher production requirements, companies raised their buying activity noticeably during January, extending the current period of growth to 15 months. Nonetheless, input inventories were marginally down during the month as firms used stock to support current output growth. Similarly, efforts to service bulging order books led to a fall in inventories of finished goods during January.

Amid reports of supply-side shortages – as evidenced by another notable worsening of delivery times in January – raw material prices continued to rise at the start of 2018. Overall input price inflation accelerated during the month and remained historically strong. Rising costs fed through to charges, which were raised in January to the greatest degree in nearly seven years.

Finally, Italian manufacturers remained optimistic regarding future activity at the start of 2018. Latest data showed that nearly 42% of the survey panel is forecasting growth, with a number attributing their confidence to the recent positive trend in demand from both domestic and international clients.

Comment:

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

“Italy’s manufacturing sector delivered a barnstorming performance during January, expanding at a rate not seen in nearly seven years.

“Bulging order books in recent months have primarily reflected strong international demand for high-end Italian manufactures, but January data pointed to a growing contribution from within Italy itself. This helped to push-up overall new order wins at one of the strongest rates since the turn of the new millennium.

“With capacity under some pressure, this is helping to drive increased demand for labour, and the result was a near record increase in employment during the month.

“In time, this may lead to higher wages and upward pressure on operating costs for manufacturers, which are already showing signs of inflation following another round of rising raw material prices. However, with demand tending to outstrip supply, pricing power for manufacturers has improved, with charges rising to the greatest degree in nearly seven years during January.”

-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 <https://ihsmarkit.com/products/pmi.html>

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