

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

Italian manufacturing sector makes solid start to 2017

Key points:

- Output levels rise in January amid ongoing growth in new orders
- Rate of job creation strongest for nine months
- Input prices increase at fastest rate since April 2011

Data collected January 12-24

Italy's manufacturing sector saw an increase in production levels in January, supported by rising orders from abroad. Rates of growth in output and total new orders were slightly slower than in December, but the pace of job creation in the sector picked up to the highest for nine months.

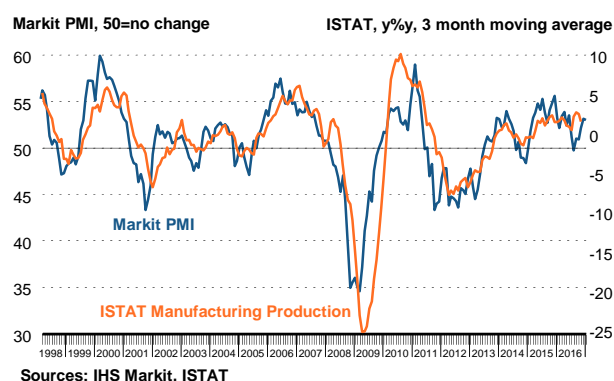
Meanwhile, goods producers faced the steepest rise in average purchasing costs since early 2011, which was reflected in a third straight monthly increase in producer prices.

The headline Markit Italy Manufacturing *Purchasing Managers' Index*® (*PMI*®) – a single-figure measure of developments in overall business conditions – read 53.0 in January, down slightly from December's 53.2 but pointing to an overall improvement in the sector's health for the fifth month in a row.

Production levels continued to rise at a solid rate in January, despite the pace of growth having eased slightly from December's six-month high. Underpinning the increase in output was ongoing expansion in manufacturers' new orders, which increased for the fifth month running and were in turn boosted by higher export sales.

The sector's continued growth was reflected in the creation of new jobs during January. Furthermore, the rate of hiring was the highest seen since April last year. Among those businesses that took on new staff there were mentions of higher workloads and efforts to expand productive capacity.

Markit Italy Manufacturing PMI



Looking ahead to output prospects for the next 12 months, January's survey showed a generally optimistic outlook among manufacturers. The degree of confidence was slightly stronger than in December and higher than the average recorded since data collection for the newly-introduced series started in July 2012.

Manufacturers reported a decrease in the amount of business outstanding in January, the third time in the past four months in which this has been the case. Meanwhile, there was a rise in stocks of finished goods for the first time since June last year.

In contrast, pre-production inventories returned to contraction following a slight increase in December. Stocks of purchases fell despite goods producers having raised their buying levels during the month.

Delivery times for purchased items increased on average in January, which anecdotal evidence partly attributed to a lack of availability of materials at suppliers. The deterioration in vendor performance was the most marked since April 2016.

As well as longer lead times, manufacturers also faced a steep rise in average purchase prices – the sharpest since April 2011. Higher raw material costs were frequently mentioned by panellists and often passed on at the factory gate, with producer prices rising for the third month running and at the fastest rate since July 2015.

Comment:

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

“The manufacturing sector started 2017 where it left off at the end of 2016, with output growing at a reasonable pace and firms reporting rising order books. The two developments of note were the pick-up in sector job creation to a nine-month high and the ongoing intensification of goods producers’ cost pressures, with the latter being a culmination of rising global raw material prices and the euro’s recent depreciation against the US dollar.”

-Ends-

For further information, please contact:**IHS Markit**

Phil Smith, Economist
Telephone +44 1491 461 009
Email phil.smith@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44 207 260 2234
Email joanna.vickers@ihsmarkit.com

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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