News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:10 (UK Time), 28 December 2012

Markit Italy Retail PMI®

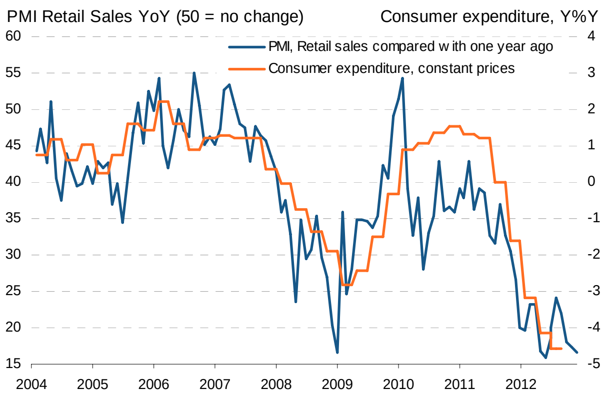
Steep downturn in high street spending continues in December

Key points:

- Near survey-record year-on-year fall in retail sales
- Rate of job losses fastest since July
- Business sentiment weakens to series low

Data collected from 5th -17th December 2012

Historical overview:



Sources: Markit, ISTAT.

Summary:

Italy's retail sector remained in a steep downturn in December, with sales dropping sharply according to both monthly and yearly measures. Gross margins decreased amid a further rise in average wholesale prices, while firms cut employment and purchasing activity in line with lower sales. The month also saw business sentiment hit a record low.

December data pointed to another sharp month-on-month drop in Italian retail sales. This was signalled by Italian Retail *PMI*® registering 36.8, up from November's seven-month low of 35.5 but slightly below its average over the year as a whole of 37.2. The latest decrease in high street spending was the twenty-second in consecutive months, and attributed by panellists to greater tax burdens, weak consumer sentiment and media scaremongering.

When measured on a year-on-year basis, the decline in retail sales was one of the most marked since data collection began in January 2004. In fact, only in December 2008 and May 2012 have faster annual rates of decline been recorded.

The majority of retailers (albeit only small at 51%) registered lower-than-expected sales for the final month of the year, signifying the most marked degree of underperformance in the sector since June.

Retailers on balance foresee sales in January falling short of targets set previously for the month, and are the most pessimistic in the survey's nine-year history. This represents a marked deterioration in sentiment since the previous survey period, when businesses were generally expecting to achieve December targets.

The gross margins of retailers in Italy continued to decrease at a sharp rate in December, and one that was comfortably faster than the average for the series. Lower turnover resulting from a combination of decreased sales and discounted charges was the primary factory leading to the reduction in profitability, according to respondents.

Operating margins were also squeezed by a further rise in the average price paid for goods for resale. The rate of inflation was the sharpest since May having quickened over the past two months, although was still down on the average for the year. Higher raw material and transport costs were partly to blame for the rise in purchase prices, according to panellists.

Continuing the trend seen since the start of 2008, employment at Italian retailers decreased during December. Moreover, the overall rate of job losses was the fastest since July.

December saw a tenth straight monthly decrease in the value of stocks at Italian retailers, as a number businesses adjusted to a lower level of final sales. The rate of depletion was the slowest in six months due in part to lower-than-expected sales, but solid nonetheless. Contributing to the decline in inventories was a further decrease in spending on new items for resale by retailers in December. The reduction was sharp, and more marked than in the previous month.

Comment:

Phil Smith, economist at Markit and author of the Italian Retail *PMI*®, said:

"2012 surpassed 2008 as the worst year in the survey's history, with the PMI showing sharp monthly contractions in high street spending throughout and never once climbing above its pre-2012 historic average. The series measuring year-on-year changes in sales hit a record low back in May and came close to that mark in the latest survey period as consumer spending power was weakened further amid added tax pressure. Firms persistent attempts to boost sales through discounts have proved largely fruitless over the past 12 months, such has been the extent of the downturn in demand among Italy's households."

-Ends-

For further information, please contact:

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

Caroline Lumley, Corporate Communications
Telephone +44-20-7260-2047
Mobile +44-78-1581-2162
Email caroline.lumley@markit.com

Notes to Editors:

"*PMI*" is an acronym for *Purchasing Managers' Index*, a type of survey originally developed for tracking business conditions in the manufacturing sector. Markit now uses *'PMI'* to describe the methodology used for surveys also undertaken in the services, construction and retail sectors.

For the Italy Retail *PMI*, Markit recruited a representative panel of retail companies. The panel includes large chain retailers as well as smaller retailers to ensure balanced representation of the true structure of the Italian retail sector. Similarly, the composition of the panel by classification of retailer (i.e. type of good sold) is monitored to ensure accurate representation.

Markit ensures the correct structure remains in place over time and that response rates remain sufficiently high to generate reliable economic data.

Data collection occurs via the completion of questionnaires by survey panel members during the second half of each month.

The percentage figures of companies reporting an improvement, deterioration or no change for each survey variable are converted into a single-figure "diffusion index" for each variable. Diffusion indexes vary between 0 and 100, with a reading of 50.0 signalling no change on the previous month. Readings above 50.0 signal growth on the previous month and readings below 50.0 signal contraction. The greater the divergence from 50.0, the greater the rate of change signalled.

The methodology includes the automatic weighting of each survey response in order to ensure that the effect of each response on the final figure is proportional to the size of the responding company.

Where appropriate the indices are seasonally adjusted to take into consideration expected variations for the time of year.

The use of the diffusion index methodology means that the results for the Retail *PMI* will be directly comparable with PMIs for other sectors, such as manufacturing, services and construction.

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@markit.com.

About Markit

Markit is a leading global financial information services company with over 2,300 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial marketplace. For more information, see www.markit.com.

About PMIs

Now available for 32 countries and key regions including the Eurozone, *Purchasing Managers' Indexes®* (*PMIs®*) have become 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.