

News Release

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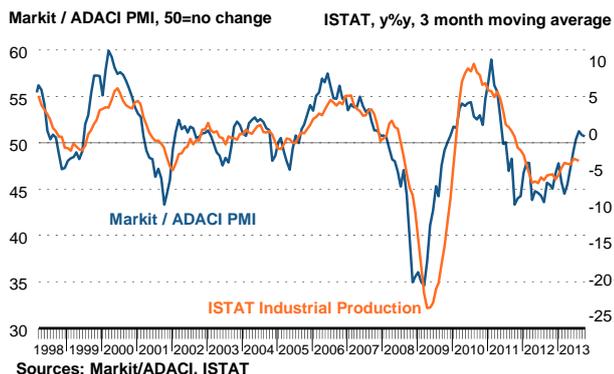
Markit/ADACI Italy Manufacturing PMI[®]

Headline PMI remains in expansion territory at start of Q4

Key points:

- Solid output growth supports headline index
- New orders rise again, albeit only marginally
- Businesses target lower stocks

Historical overview:



Summary:

Italy's manufacturing recovery continued into the fourth quarter, with both production and new orders rising during October. Employment levels remained in decline, but at a slower rate. Meanwhile, efforts to streamline stocks contributed to a renewed drop in purchasing activity within the sector. On the price front, charges were reduced despite input price inflation ticking up to a ten-month high.

October saw the headline seasonally adjusted Markit/ADACI Italy Manufacturing *Purchasing Managers' Index[®]* (PMI[®]) – a composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy – register above neutrality for the fourth straight month, pointing to a further improvement in manufacturing business conditions. That said, at 50.7, down fractionally from 50.8 in September, it was at the lowest level in three months.

Contributing to the slight drop in the headline number was a slower increase in new orders at

manufacturers. In fact, growth in October was only marginal, having eased further from August's solid rate of expansion. That was in spite of a further marked rise in the level of new export orders. Driving this latest increase in external sales – the tenth in successive months – was improved demand from non-EU clients, according to panel member reports.

The level of output at manufacturers meanwhile rose at a solid and slightly accelerated rate, stretching the current run of expansion to five months. October's increase in output was broad based by market group, and led by the capital goods sector.

Manufacturers maintained a preference for lower staffing numbers in October, although the net rate of job shedding eased to a modest pace that was the slowest for 20 months. This echoed the trend recorded for backlogs of work, which fell negligibly and at the slowest rate in the current sequence of decline.

Purchasing activity among manufacturers meanwhile returned to contraction, after having expanded in the previous two months. Panel member reports suggested that this reflected attempts to reduce pre-production inventories, with a number of firms commenting on a fragile demand environment. Finished goods stocks also decreased on the month, albeit only slightly.

On the supply side, manufacturers faced a further deterioration in suppliers' delivery times and an increase in average purchasing costs. The rate of input price inflation was in fact the fastest in ten months, although still below the long-run series average.

Factory gate prices conversely fell for the first time in three months, in part reflecting promotional activity. A number of firms also mentioned reducing charges in order to remain competitive in export markets amid a stronger euro.

Comment:

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

“The PMI remained on the right side of the 50.0 threshold in October, although dipped from its previous reading due in part to slower new order growth. This fragility in demand was reflected in businesses’ attempts to control stock levels, with a solid and accelerated decrease in pre-production inventories also pulling the headline number south.

“Output levels meanwhile rose solidly on the month, while firms tempered their rate of job shedding to the slowest in more than one-and-a-half years. These positive developments aren’t certain to continue, however, unless new orders return to faster growth. Export sales are already rising rapidly, thus it is now stronger domestic demand that is required to sustain the recovery.”

-Ends-

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Notes to Editors:

The Markit/ADACI Italy Manufacturing PMI Report is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 450 industrial companies. The panel is stratified by Standard Industrial Classification (SIC) group, based on the industry contribution to Italy GDP.

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/ADACI 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@markit.com.

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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.

About ADACI

ADACI – the Italian Association of Purchasing and Supply Management – is an independent, non-profit oriented and non-political organisation. It aims to develop the professional growth of purchasing and supply chain professionals, and co-operates with various organisations and universities. Established in 1968, it consists of more than 1,300 regular and contributing members, distributed in seven regional sections. ADACI is a foundation member of Federmanagement and the International Federation of Purchasing and Supply Management (IFPSM), which has more than 100,000 members in 40 countries.

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