

News Release

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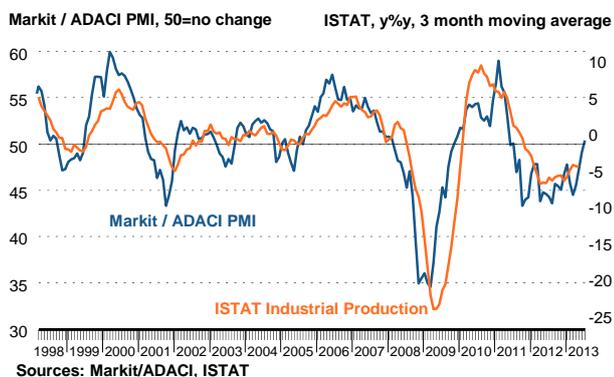
Markit/ADACI Italy Manufacturing PMI[®]

PMI signals expansion in Italian manufacturing sector for first time in two years

Key points:

- Headline PMI above 50.0 threshold as output and new orders rise
- Sharpest increase in new export orders since April 2011
- Input and output prices fall, but at slower rates

Historical overview:



Summary:

At 50.4 in July, the seasonally adjusted Markit/ADACI Italy Manufacturing *Purchasing Managers' Index[®]* (PMI[®]) signalled an improvement in the overall health of the Italian manufacturing sector at the start of the third quarter. Up from 49.1 in June, the headline index was at its highest level since May 2011, boosted by growth in output and new orders, and also slower declines in both employment and stocks of purchases. Firms meanwhile benefitted from a further, albeit slower, decrease in input costs, with output prices also falling at a moderated pace on the month.

The level of output at Italian manufacturers rose at the fastest rate in more than two years in July, following a slight upturn in the preceding survey period. Growth was centred on the capital and intermediate goods sectors, with manufacturers of

consumer products recording a further drop in output.

New orders in the manufacturing sector likewise rose on the month, thereby ending a sequence of decline stretching back to mid-2011. Where an increase in the level of new business was recorded, this sometimes reflected the intake of previously postponed orders and higher foreign sales. New export orders placed with Italian manufacturers rose at a solid and accelerated rate that was the fastest since April 2011.

In contrast with the trends in both output and new orders, employment in the manufacturing sector continued to fall during July. A further notable decrease in backlogs of work indeed suggested that firms had sufficient resources to cope with increased workloads. That said, the rate of job losses eased for the fourth successive month, to the slowest since February 2012.

Firms also maintained a preference for lower stocks of finished goods, the level of which fell to the greatest extent in a year-and-a-half. Pre-production inventories were also slightly lower than one month earlier, in part due to a decrease in purchasing activity among manufacturers. July's reduction in input buying was, however, the least marked in the current 26-month sequence of decline.

With lower demand for materials from manufacturers reducing pressure on vendors, July saw suppliers' delivery times shorten on average for the fourth time in the past five months, albeit only marginally.

July data meanwhile indicated a decrease in average input prices facing manufacturers, as has been the case throughout the past five months. Lower raw material costs were reported by a number of survey respondents. The rate of decline was, however, the slowest in this sequence, and only modest overall. A similar trend was recorded

for output prices, which fell for the sixth consecutive month, but at the slowest rate since February.

Comment:

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

“July saw the manufacturing PMI edge into expansion territory for the first time in two years amid a solid rise in the level of goods production and a return to growth in new order inflows. The latter was largely a reflection of a robust expansion in sales to foreign clients, which was no mean feat given the stuttering performance of the global economy in recent months. Nevertheless, there are seemingly some doubts within the sector with regards to the sustainability of the recovery, with firms reluctant to raise employment, purchasing activity or stock levels in line with the upturns in output and demand. Muted domestic demand and a lack of pressure on resources, as evidenced by falling backlogs, go some way to explaining this. That said, with the exception of finished goods stocks, rates of decline eased in the latest survey period, and were only modest overall.”

-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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