

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

Second consecutive rise in monthly retail sales signalled in October

Key findings:

- Growth sustained on monthly basis, but retail sales down compared to a year ago
- Warm October blamed for annual sales decline
- Purchase prices rise to greatest degree since February

Data collected October 12-27

Retail sales in Italy rose on a monthly basis for a second successive month during October amid reports of higher footfall and ongoing promotional activity. However, growth was marginal, with sales down compared to a year ago and missing previously set targets. There were some reports that an unusually warm October had weighed on sales.

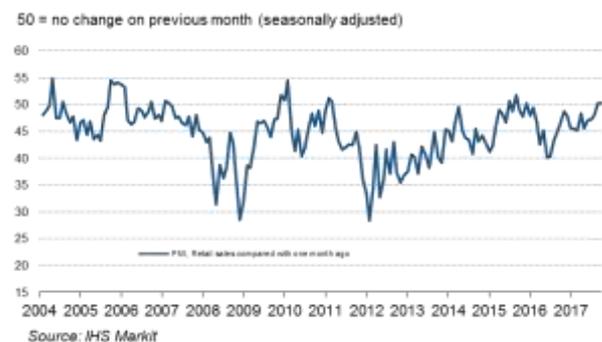
Meanwhile, purchase price inflation accelerated to an eight-month high. Gross margins continued to deteriorate, whilst there was another slight rise in employment.

The headline IHS Markit Italy Retail PMI – which measures changes in like-for-like sales on a month-on-month basis – edged up to 50.3 in October, from 50.2 in September. Although indicative of marginal growth, latest data marked the first time that back-to-back increases in monthly sales has been recorded since early 2011.

In contrast, when compared to 12 months ago, sales were slightly down in October. That followed on from marginal growth in September.

Despite promotional activity and reports of higher footfall, like-for-like sales continued to decline relative to target during October. Retailers commented on being disappointed to have not at least matched the level of sales seen a year ago, although some blamed an unusually warm October for missing their plans.

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Looking ahead to next month, retailers retained a high level of confidence that their previously set plans will be surpassed during November.

Retailers continued to support sales via further discounting and promotional activities during the latest survey period. The effect on gross margins was again noticeable, with October's survey recording a further marked deterioration (albeit the weakest since April).

There was a slight increase in purchasing activity during October, the first time that growth has been registered in just under a year. A number of retailers reported increasing their buying in response to higher sales.

Increased purchasing and, in some instances, lower-than-expected sales, led to a build-up of stocks of goods for resale during the latest survey period. October marked a ninth month of rising inventories, with the latest growth solid and sharper than seen during September.

A further acceleration in average price inflation was recorded during October amid reports of higher prices for fuel and foodstuffs (dairy, fruit and vegetables were all mentioned). The degree to

which prices rose was the sharpest recorded by the survey since February.

A fourteenth successive monthly increase in employment was recorded in October. Higher company staffing needs were reported as the primary factor underpinning growth in staffing numbers. That said, the net rise in employment was again marginal.

Comment:

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

“A mixed bag for Italian retail sector performance during October. Whilst marginal growth in sales on a monthly basis was welcome, reflective of generally higher demand, footfall and rising consumer confidence, volumes were nonetheless down on a year ago.

“That in part is due to a warmer-than-usual October according to some panellists, although underwhelming demand levels in line with still subdued domestic economic conditions continue to play a part.

“Indeed, retailers are still resorting to offer various incentives to entice shoppers, and taking a further considerable hit to their gross margins in the process.”

-Ends-

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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. IHS 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*, IHS 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.

IHS 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.

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.

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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