

News Release

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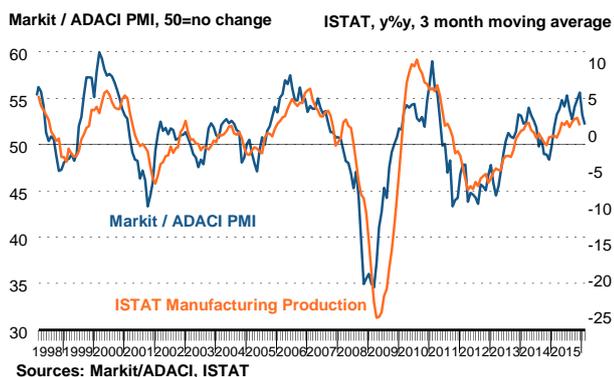
Markit/ADACI Italy Manufacturing PMI[®]

Manufacturing PMI slips to 12-month low as upturn loses momentum

Key points:

- February sees further waning of output and new order growth
- Buying levels stagnate; inventories fall again
- Solid rate of job creation maintained

Historical overview:



Summary:

Manufacturing output in Italy rose at the slowest rate for over a year in February, reflecting a further easing in the pace of expansion in new orders. Employment continued to increase, but buying levels stagnated to end a 12-month sequence of growth. Elsewhere, there was a further sharp decrease in manufacturers' purchasing costs amid lower global commodity prices.

The headline Markit/ADACI Italy Manufacturing *Purchasing Managers' Index*[®] (*PMI*[®]) – a single-figure measure of developments in overall business conditions – registered a 12-month low of 52.2 in February, slipping from January's 53.2 and falling further below December's 57-month high.

Output growth at Italian factories eased for the second month running in February and was the weakest since January 2015. The worst-performing market group was consumer goods, where a slight

decrease in production contrasted with growth in the intermediate and investment goods categories.

New orders at manufacturers likewise rose at a slower pace in February – the weakest seen for a year. While a number of companies reported higher interest from clients, others commented that market uncertainty had hindered sales. New export orders rose again during February, although the rate of growth was the slowest for 13 months.

Higher workloads led Italian manufacturers to take on more staff during February, extending the current sequence of continuous job creation to 14 months. Although easing slightly since January, the rate of increase in factory payroll numbers remained solid in the context of historical survey data.

While manufacturers continued to expand their staffing capacity during the month, buying levels among businesses were broadly unchanged (on average). This ended a year-long spell of expansion in purchasing activity and contributed to a further drop in pre-production stocks, the third in as many months. Post-production inventories fell for the tenth month in a row, although the rate of contraction eased to the slowest since last June.

February saw a fourth consecutive monthly fall in backlogs of work, with the rate of decline little-changed from that recorded in the preceding survey period.

Elsewhere, survey data showed a further sharp drop in average input prices faced by manufacturers, which anecdotal evidence suggested was mainly a reflection of lower raw material prices. The rate at which input prices fell was slightly slower than in January, but still one of the fastest seen since the global financial crisis.

Average prices charged for manufactured goods decreased slightly in February, marking the fifth time in the past six months that factory gate prices

have fallen. Discounting was centred on the intermediate goods sector.

Comment:

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

“February survey data confirm that the manufacturing sector has started 2016 on a softer footing. Growth rates for both output and new orders waned further from the highs seen late in 2015, while manufacturers’ buying levels failed to rise for the first time in over a year.

“Factory employment moved higher again in February, though for job creation to continue in months to come we can ill afford to see the upturn lose any more momentum.

“Falling costs at least provides manufacturers with breathing space to lower their charges to support sales, with 2016 set to be another highly competitive year on the pricing front.”

-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 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/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 PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 30 countries and also for key regions including the Eurozone. They are 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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