

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 08:45 (UK Time), 1st September 2014

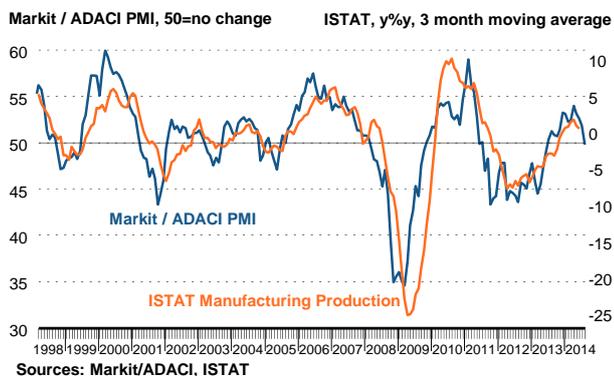
Markit/ADACI Italy Manufacturing PMI[®]

Manufacturing output rises at slowest rate in 14 months

Key points:

- Output and new orders increase only marginally in August
- Manufacturers pare back employment and buying levels
- Output prices rise amid continuing input cost inflation

Historical overview:



Summary:

The recovery in Italy's manufacturing sector showed signs of stalling in August, according to the latest survey data. Output levels rose only marginally and at the weakest rate since June 2013, reflecting a slowdown in growth of new orders. Employment levels and purchasing activity both returned to contraction, while buffer stocks of finished goods and items for use in production were reduced. Elsewhere, August's survey pointed to a slight rise in manufacturing output prices amid growing cost burdens.

The headline Markit/ADACI Italy Manufacturing *Purchasing Managers' Index[®]* (PMI[®]) – a single-figure measure of overall business conditions – registered at 49.8 in August, down from 51.9 in July and its lowest in 14 months. The index has fallen

every month since reaching a three-year high in April.

One factor leading the PMI to fall in August was a further easing of the rate of growth of output. The degree to which production levels rose was in fact notably slower than in July and overall the least marked for 14 months. Moreover, growth was confined to the intermediate goods sector, with consumer and investment goods producers both noting slight reductions in output.

August also saw only a marginal increase in new orders at manufacturers – the weakest since November 2013. New export orders continued to rise at a comparatively solid lick despite a moderation in the rate of growth to a 14-month low.

Backlogs of work at manufacturers fell for the eighth successive month in August, and at an accelerated rate that was the fastest for more than a year. This apparent lack of pressure on resources encouraged businesses to trim staff numbers during the month, ending a nine-month spell of net job creation in the sector.

Manufacturers also took up a more defensive position on the inventory front in August, reducing both their stocks of purchases and finished goods. The former decreased to the greatest extent in three months as buying levels were pared back, albeit only slightly.

The performance of suppliers improved amid the dip in manufacturers' purchasing activity, with average vendor delivery times decreasing for the first time in a year.

On the price front, August data indicated an increase in factory output prices for the third time in the past four months. Output price inflation was the fastest since December 2012, though still only modest overall.

Placing pressure on manufacturers to raise their output prices was a further increase in average

purchasing costs, the fourth in consecutive months. Although slower than July's recent high, the rate at which costs increased remained solid. Anecdotal evidence from the survey panel suggested that a number of metals had risen in price.

Comment:

Phil Smith, economist at Markit which compiles the Italian Manufacturing PMI® survey said:

"The headline PMI dipped below the neutral threshold for the first time in over a year in August. The negative reading doesn't come as too much of a shock as the index has been trending towards 50.0 ever since peaking at a three-year high in April. Some marginal growth was still recorded on the output front, but the paring back of purchasing activity, inventories and employment would indicate that the recovery in the manufacturing sector has hit a roadblock."

-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.

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

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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