

News Release

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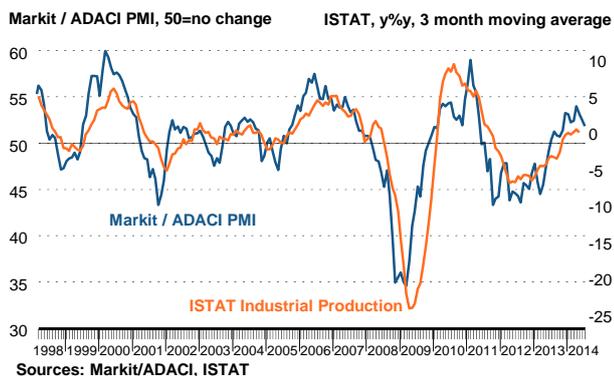
Markit/ADACI Italy Manufacturing PMI[®]

Manufacturing PMI dips to eight-month low as upturn shows signs of easing

Key points:

- Rates of growth of output, new orders and employment weaken
- Solid, albeit slower, increase in export orders recorded
- Input price inflation hits 28-month high

Historical overview:



Summary:

Italy's manufacturing sector continued to grow at the start of the third quarter, but the pace of expansion was the slowest seen so far this year. Latest increases in output and new orders were the weakest in eight months, while jobs growth was the slowest since March. July's survey meanwhile signalled the re-emergence of substantial cost pressures in the manufacturing sector, with goods producers having faced the sharpest rise in input prices for 28 months.

Down from 52.6 in June to an eight-month low of 51.9 in July, the headline Markit/ADACI Italy Manufacturing *Purchasing Managers' Index*[®] (PMI[®]) indicated an easing of the rate of improvement in business conditions in Italy's manufacturing sector. The headline index has now fallen in each of the past three months after having peaked at a three-year high in April.

Factory production levels in Italy rose for the fourteenth straight month in July, but growth was the slowest since November 2013 and largely confined to the intermediate goods sector: consumer goods manufacturers recorded broadly no change in their output levels while capital goods production was down slightly compared with June.

July data also showed a slower increase in the level of new orders placed with manufacturers operating in Italy. The rate of growth was likewise the slowest since the penultimate month of last year and dampened by weakness in the investment goods sector. One area of relative strength remained new export orders which continued to rise at a solid pace, albeit one that was notably slower than in June.

Signs of fragility on the demand side impacted on both job creation and purchasing activity in the manufacturing sector. Employment at factories rose only modestly and at the slowest pace since March, while the extent to which purchases of raw materials and semi-finished goods increased was also weaker than in June.

Manufacturers recorded a drop in pre-production inventories during July amid stock optimisation initiatives, but meanwhile noted a rise in post-production inventories as output growth continued to outstrip that of new orders. The increase in stocks of finished goods, albeit only slight, was the first since April 2013.

July's survey showed a further acceleration in the rate of input price inflation faced by manufacturers, to the fastest since March 2012. Generating these cost pressures was a rise in raw material prices, according to panel member reports. Remaining on the supply side, manufacturers recorded a slight increase in average vendor lead times in July.

Higher cost burdens in the manufacturing sector contributed to a rise in output prices in July, the second in the past three months. That said,

reflecting efforts to encourage sales, selling prices were raised only slightly on average.

Comment:

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

“The recovery in the manufacturing sector appears to have lost some steam as we head into the second half of the year. Factory production levels rose again in July, but the pace of growth was well below that seen earlier in the year owing to signs of fragility in sales, particularly from the domestic market. Export orders remain a relative strong point, although even on this front growth has moderated.

“The survey data meanwhile showed cost pressures building in the manufacturing sector as input prices rose at the fastest rate for just under two-and-a-half years. However, pockets of weakness on the demand side meant that firms were reluctant to pass on the full burden of higher costs to clients, instead raising output prices only slightly to go some way to protect their margins.”

-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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