

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 08:45 (UK Time), 2nd September 2013

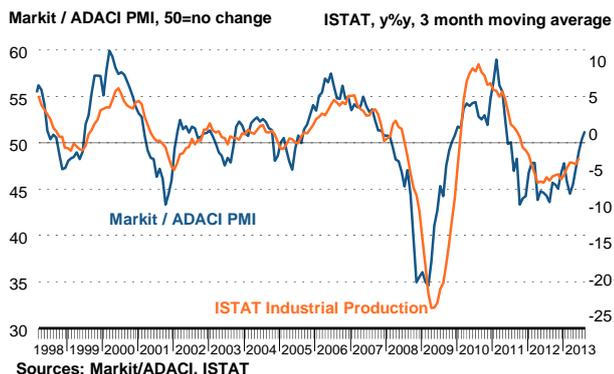
Markit/ADACI Italy Manufacturing PMI®

Manufacturing production increases at faster rate in August

Key points:

- Sharpest increase in output since April 2011
- New orders rise at accelerated pace
- First increase in input prices for six months

Historical overview:



Summary:

August saw growth in manufacturing output accelerate to a solid pace, and one that was the fastest in 28 months. Supporting the expansion was an increase in new orders, which in turn partly reflected substantial growth in export sales. Employment continued to fall, however. Input prices meanwhile rose on the back of increased demand for raw materials, leading manufacturers to charge slightly higher prices for their final goods.

The headline seasonally adjusted Markit/ADACI Italy Manufacturing *Purchasing Managers' Index*® (*PMI*®) – a composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy – climbed to a 27-month high of 51.3 in August, up from July's reading of 50.4.

Manufacturing output rose for the third month in succession in August. Moreover, the pace of expansion continued to accelerate and was the

fastest since April 2011. It was also well in excess of the long-run series average.

Underpinning August's expansion in production was a rise in intakes of new work during the month. The latest increase, the second in consecutive months, was the most marked in over two years. Panel member reports suggested that this largely reflected higher new export orders, the level of which rose at the fastest rate since April 2011.

Despite recording sustained growth in output over the past three months, manufacturers maintained a preference for lower staffing numbers. The rate of job shedding in August was slightly faster than one month earlier, although still only moderate overall and slower than at the start of the year. Backlogs of work meanwhile continued to fall, but the rate of decline eased to the slowest since May 2011.

In accordance with higher production requirements, manufacturers raised their purchasing activity in August. The increase in input buying was comparatively slower than growth in production, however, with stocks of purchases falling as a consequence. Furthermore, the decrease in pre-production inventory levels was the sharpest since October 2012. Stocks of finished goods held by manufacturers also fell at a solid and accelerated rate.

August saw a return to input price inflation following five straight months of decline, which anecdotal evidence indicated was principally a result of higher raw material costs. The overall rate of inflation was moderate in the context of historical data. Increased costs burdens in the sector in turn contributed to a fractional rise in average factory gate prices, ending a six-month sequence of decline.

Suppliers' delivery times faced by goods producers in Italy shortened on average in August, as was the case in the preceding month. That said, the improvement in vendor performance was again only marginal.

Comment:

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

“The recovery in Italy’s manufacturing sector gathered pace in August, with both production and new orders rising to the largest degree since April 2011. Manufacturers’ greatest success again came in export markets, sales in which provided a substantial boost to overall orders.

“Growth was once again achieved without firms having to raise staffing levels, with August’s decrease in employment the twenty-fifth in a row. Firms reported being able to keep on top of higher order requirements, and further reduced their backlogs of work. That said, the rate of decline in outstanding business was the slowest in over two years, pointing to signs of growing pressure on capacity.

“August meanwhile saw the re-emergence of input price inflation in the sector. Although only moderate during the latest survey period, cost pressures are likely to grow in line with demand for raw materials and should be monitored closely as they pose a threat to the recovery.”

-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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