

News Release

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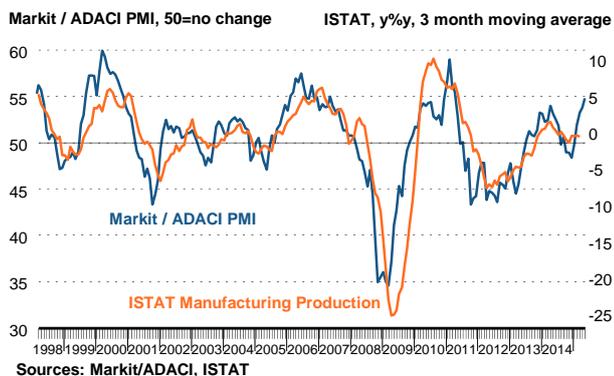
Markit/ADACI Italy Manufacturing PMI[®]

Manufacturing PMI climbs to highest for over four years in May

Key points:

- Survey shows accelerated growth in output, new business and employment
- Strong upturn in new export business contributes to expansion
- Input costs rise at fastest rate since March 2012 amid a weak euro

Historical overview:



Summary:

The rate of expansion in Italy's manufacturing sector moved up another gear in May. The latest increases in output and new orders were sharp and the fastest recorded since 2011, in turn leading to a further acceleration in the pace of job creation. A steep rise in new export orders was a key factor underpinning growth. Elsewhere, the survey data showed the sharpest monthly rise in input costs for over three years, linked partly to the euro's weakness versus the US dollar.

The headline Markit/ADACI Italy Manufacturing *Purchasing Managers' Index*[®] (PMI[®]) – a single-figure measure of overall business conditions – rose for the fifth consecutive month in May, registering at 54.8 from 53.8 in April. This latest reading pointed to the most marked improvement in overall operating conditions since April 2011.

Continuing the trend seen throughout 2015 to date, the level of manufacturing output rose during May. Moreover, the rate of expansion was sharp, having quickened to the fastest in just over four years. Consumer goods producers led growth, ahead of investment goods firms.

Higher output among manufacturers reflected a rise in new orders, the fourth in as many months. As was the case with output, the latest increase in new work was the sharpest since early 2011. Firms commented on a recovery in demand and also mentioned higher new orders from abroad. Indeed, new export business expanded at the fastest rate for almost one year in May.

Manufacturers recorded a build-up of incomplete orders for the third month running, highlighting growing pressure on factory capacity. The rate of backlog accumulation was only modest, but nevertheless the sharpest since December 2013.

As part of efforts to keep atop of workloads, manufacturers expanded their staffing numbers for the fifth month in a row during May. Furthermore, the pace of job creation quickened slightly from previous month to the fastest since February 2011.

Stocks of finished goods decreased slightly during May, as a number of firms fulfilled orders from inventories. The fall was the fifth in the past six months, following a slight increase during April. Stocks of purchases also contracted, with growth in buying levels slower than that for production.

A lack of available stock at suppliers was mentioned by a number of panellists reporting slower delivery times for ordered items. The degree of deterioration in vendor performance was actually the most marked for 12 months.

Finally, May survey data showed an acceleration in input cost inflation to the highest since March 2012, owing partly to the euro's weakness against the US dollar. Meanwhile, manufacturers raised their

output prices for the second month in a row to partially offset these exchange rate effects.

Comment:

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

“Italy’s manufacturing sector is enjoying its best quarter of expansion since 2011. Output growth has accelerated in every month this year so far, and a further strong increase in new orders suggests production is set to remain on an upward trend throughout the summer.

“A big part of the recent improvement has been the revival in new export growth, which in May hit the strongest for almost a year amid improved competitiveness abroad. However, the threat of rising costs, caused mainly by the euro’s depreciation, is now back on the radar. Domestic demand is unlikely strong enough to withstand significant factory gate price hikes, so manufacturers may have to absorb much of the burden of higher costs in order to sustain the current pace of expansion.”

-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

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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