

News Release

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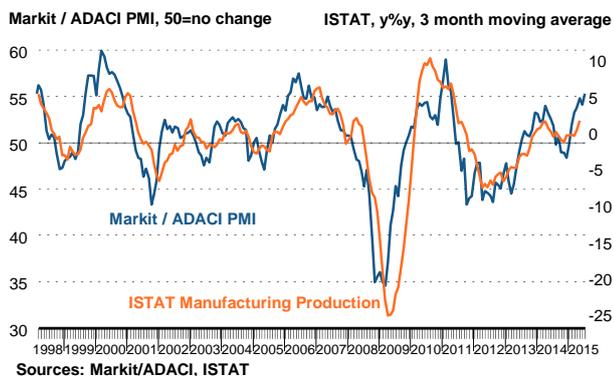
Markit/ADACI Italy Manufacturing PMI®

Manufacturing upturn gathers pace at start of third quarter

Key points:

- July sees fastest increase in goods production since April 2011
- Output growth supported by accelerating inflows of new work
- Prices charged by manufacturers rise solidly again

Historical overview:



Summary:

Growth of manufacturing output in Italy accelerated at the start of the third quarter, reaching the fastest seen for more than four years. Stronger demand, meanwhile, encouraged goods producers to take on more staff whilst raising output prices to offset the impact of higher costs.

At a 51-month high of 55.3 in July, up from 54.1 in June, the headline Markit/ADACI Italy Manufacturing *Purchasing Managers' Index*® (PMI®) – a single-figure measure of overall business conditions – pointed to a sixth successive monthly improvement in manufacturing business conditions.

Output growth at manufacturers was strong and the fastest for more than four years in July. The upturn comprised faster increases in output in each of the three broad industry groups monitored by the survey: consumer, intermediate and capital goods

production. The sharpest overall rise in output was recorded by capital goods firms.

Greater activity on production lines was a reflection of growing order books at manufacturers. July indeed saw the level of new work rise for the sixth month running, and at the fastest rate since February 2011. Panellists often commented on stronger demand in the domestic market, while there was also a marked increase in new export orders during the month.

A number of manufacturers reported fulfilling orders from stocks of finished goods, which fell for the third straight month in July and at the sharpest pace since February.

July, meanwhile, saw a further solid increase in staff numbers at Italian manufacturers. The rate of job creation was slightly slower than May and June's highs, but nevertheless among the fastest seen over the past 15 years.

The combination of the use of post-production inventories and increased staffing capacity helped manufacturers keep atop of orders. Backlogs of work decreased slightly during July, thereby ending a four-month sequence of accumulation.

The quantity of inputs bought by manufacturers rose during July in line with increased production requirements, with the rate of growth in buying levels the fastest seen since April 2011. Nevertheless, stocks of purchases dropped for the third month running as items were used in the production process.

Suppliers came under increased pressure in July, as highlighted by a further deterioration in average lead times. The extent to which vendors' delivery times lengthened was marked and similar to June's four-year record.

Finally, July's survey showed another solid increase in average prices charged by manufacturers, with stronger demand allowing part of the burden of

higher input costs to be passed on to buyers. Cost inflation was solid, albeit the weakest in four months.

Comment:

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

“Momentum continues to build in the Italian manufacturing sector, with the PMI now having risen in six of the past seven months to its highest since April 2011. Production is expanding on all fronts, though particularly sharply in the capital goods sector, in a sign of increasing investment among businesses.

“Manufacturers are meanwhile taking on extra staff at a robust pace, with the recent spell of job creation – from March to July – the best seen for 15 years. Furthermore, firmer underlying demand has enabled goods producers to raise output prices consistently over the past four months, signalling the building of inflationary pressures.”

-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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