

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
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## IHS Markit Italy Retail PMI<sup>®</sup>

### Retail sales fall at slowest rate for three months in July

#### Key findings:

- Retail PMI rises to 47.3, from June's 47.1
- Sector employment continues to edge higher
- Purchase price inflation ticks lower

Data collected July 12-27

Italian retail sales fell in July and were down sharply compared with the same period one year before, according to latest PMI<sup>®</sup> survey data. However, the rate of contraction was the slowest recorded for three months, and sector employment continued to edge higher. Elsewhere, retailers recorded a drop in their spending on goods for resale, while prices paid for purchases increased only modestly and at a slower rate than the month before.

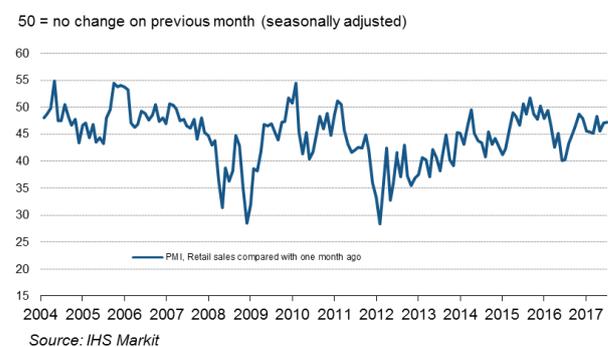
The headline IHS Markit Italy Retail PMI – which measures changes in like-for-like sales on a month-on-month basis – registered 47.3 in July, up from 47.1 in June and its highest reading since April. Nevertheless, the PMI has remained below the 50.0 no-change mark for 19 months in a row, with businesses linking the latest decrease in sales to low footfall and weaker consumer spending power.

Sales in July were, on average, well below the level seen during the corresponding period in 2016. The rate of decline on an annual basis was the weakest for three months but still sharp overall.

Retailers in Italy generally failed to achieve their sales targets in the latest survey period. Although less marked than in each of the previous two months, the degree of underperformance was still substantial overall.

Retailers' expectations towards month-ahead sales prospects meanwhile deteriorated to the lowest for a year, with firms (on balance) predicting a shortfall relative to previously-set plans. A lack of credit,

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political uncertainty and unfavourable weather were mentioned as potential threats to the sales outlook.

Despite the sustained decline in sales, retailers remained in hiring mode at the start of the third quarter. Sector employment has now risen in each of the past 11 months, although the rate of job creation was unchanged from the modest pace recorded in June.

It was a different picture for retailers' spending on goods for resale, however, which decreased for the eighth month in a row and at a slightly faster rate than in June.

Reflective of lower-than-expected sales, the amount of unsold stock at retailers nevertheless continued to rise. This extended the current sequence of inventory growth to six months.

July saw the continuation of only modest cost pressures in the retail sector. Average purchase prices increased at slower rate than in June, and one that was well below the long-run series average. Where a rise was recorded, this was mainly attributed by panellists to list price adjustments among suppliers.

Alongside falling sales and higher purchase prices, retailers reported the use of discounts and

promotions leading to lower gross margins in July. The extent of the squeeze on margins was sharp and little-changed from that recorded in the preceding survey period.

## Comment:

Phil Smith, Principal Economist at IHS Markit which compiles the Italian Retail *PMI*® survey, said:

*“Retail sales continued to fall on a like-for-like basis in July, with firms commenting on the effects of weak spending power among consumers and a corresponding lack of footfall. Companies in the sector remained under pressure to offer discounts and promotions in order to support sales, resulting in falling gross margins; even so, targets were still missed.*

*“The good news, however, was that the rate of decline in sales slowed for the second month running. July survey data also showed a rise in retail employment – albeit marginal – to add to the job creation seen across manufacturing and services.”*

-Ends-

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## Notes to Editors:

*“PMI”* is an acronym for *Purchasing Managers’ Index*, a type of survey originally developed for tracking business conditions in the manufacturing sector. IHS Markit now uses *‘PMI’* to describe the methodology used for surveys also undertaken in the services, construction and retail sectors.

For the Italy Retail *PMI*, IHS Markit recruited a representative panel of retail companies. The panel includes large chain retailers as well as smaller retailers to ensure balanced representation of the true structure of the Italian retail sector. Similarly, the composition of the panel by classification of retailer (i.e. type of good sold) is monitored to ensure accurate representation.

IHS Markit ensures the correct structure remains in place over time and that response rates remain sufficiently high to generate reliable economic data.

Data collection occurs via the completion of questionnaires by survey panel members during the second half of each month.

The percentage figures of companies reporting an improvement, deterioration or no change for each survey variable are converted into a single-figure “diffusion index” for each variable. Diffusion indexes vary between 0 and 100, with a reading of 50.0 signalling no change on the previous month. Readings above 50.0 signal growth on the previous month and readings below 50.0 signal contraction. The greater the divergence from 50.0, the greater the rate of change signalled.

Where appropriate the indices are seasonally adjusted to take into consideration expected variations for the time of year.

The use of the diffusion index methodology means that the results for the Retail *PMI* will be directly comparable with PMIs for other sectors, such as manufacturing, services and construction.

IHS 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 IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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## About PMI

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