

News Release

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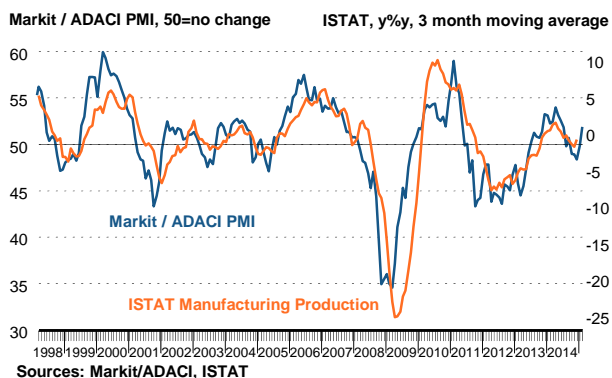
Markit/ADACI Italy Manufacturing PMI[®]

Factory output rises at fastest rate in eight months

Key points:

- Production boosted by return to growth in new orders
- Export orders post largest gain since June last year
- Further falls in input and output prices recorded

Historical overview:



Summary:

Manufacturers recorded a solid rise in output in February, the fastest since June of last year. Strong growth in new orders from abroad was a key factor behind the increase in production, which in turn led businesses to expand workforces and raise purchasing levels. Data meanwhile continued to show deflationary pressures, with manufacturers' input costs and selling prices falling further.

Pointing to a general improvement in operating conditions in the goods-producing sector, the headline Markit/ADACI Italy Manufacturing Purchasing Managers' Index[®] (PMI[®]) registered above the critical 50.0 mark for the first time in five months in February. At 51.9, up from January's 49.9, the index was at its highest level since July 2014.

Providing a boost to the sector was a rise in incoming new orders, the first in five months. While

there were some mentions among panellists of stronger domestic demand, the primary factor leading overall new work to rise was strong growth in export sales. February in fact saw the steepest increase in new orders from abroad for eight months.

Manufacturers raised production levels to accommodate higher new orders, marking the second month in a row during which output has increased. Moreover, having accelerated from the modest pace seen at the start of the year, the rate of growth was solid and the fastest since last June.

As well as output, manufacturing employment also increased for the second month in succession, and at a quicker rate. This additional staffing capacity helped firms keep atop of workloads, with backlogs of uncompleted orders continuing to fall (albeit at a much reduced pace compared with that recorded in recent months).

The level of purchasing activity among manufacturers increased slightly in February, halting a six-month sequence of falling buying levels. With the increase being less marked than that of output, however, stocks of purchased items fell further. Post-production inventories were also down on the month, falling at a slightly faster rate than in January.

Manufacturers faced an increase in average lead times from suppliers for the fifth time in the past six months. That said, as has been the case throughout this period, the degree to which lead times deteriorated was only modest. There was some mention among panellists of insufficient stock at vendors.

Average prices paid by manufacturers for inputs decreased slightly and for the second month in a row in February. Lower raw material prices were cited by a number of panellists. However, others noted that a weaker euro had partly offset the impact of lower global commodity prices.

Prices charged by manufacturers meanwhile fell for the third month running as lower costs were passed on to clients. The rate of decline was slower than in January, however.

Comment:

Phil Smith, economist at Markit which compiles the

“The manufacturing PMI continued to move in the right direction, rising for the second straight month in February to its highest level since July last year. Export orders rose strongly to drive the upturn, boosted by a depreciating currency and better economic performance in key export markets, Germany and France.

“Moreover, February’s survey suggested firms were making preparations for further expansion of activity, with employment raised for the second month running and purchasing of inputs up for the first time since July last year.

“Back-to-back increases in factory output suggest manufacturing will make a positive contribution to GDP growth in the opening quarter.”

-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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