News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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Markit Italy Retail PMI®

February sees further drop in retail sales

Key findings:

- Headline Retail PMI at five-month low of 45.5
- Faster falls in both buying levels and gross margins
- Purchase prices rise at quickest rate for almost three-and-a-half years

Data collected February 10-24

Italian retailers faced another month of falling sales, according to February's Retail *PMI®* survey. This latest decline in sales was the sharpest seen for five months and contributed to accelerated contractions in retailers' spending on goods for resale and gross margins. Concurrently, the sector saw a steeper monthly increase in average prices paid for purchases, with fresh produce reportedly up in price.

The headline Markit Italy Retail PMI – which measures changes in like-for-like sales on a month-on-month basis – registered at 45.5 in February, down fractionally from January's 45.6 and its lowest level since September last year.

Sales were down sharply compared with the same month the year before, with the rate of decline on a year-on-year basis being the fastest seen for seven months. Where a decrease in sales was recorded, companies commented on unfavourable weather, lower footfall and waning consumer spending power.

Retailers generally underperformed relative to their sales targets in February. The index measuring actual performance versus plans was in fact at its lowest level since July 2016 and below its long-run series average.

Nevertheless, latest data showed optimism among retailers towards the month-ahead outlook for sales. The level of confidence was at a three-month high.

Markit Italy Retail PMI®

Factors mentioned as likely to support sales in the coming months included promotions, new collections and models, and more favourable weather. Political instability, stronger fiscal pressure and rising fuel prices were cited as potential threats to future prospects.

The downturn in sales continued to weigh on retailers' spending on goods for resale, which fell for the third month running in February and at the fastest rate since September last year. Stock levels, meanwhile, increased slightly, thereby reversing the fall seen during the opening month of the year.

Retailers faced a steep rise in average prices paid for purchases in February. The rate of increase was close to the fastest seen in over five years, second only to that recorded at the time of the introduction of the 22% VAT rate in October 2013. Businesses often cited fruit and vegetables as the main drivers of cost burdens, though there were also mentions of the impact of higher fuel prices.

Reflecting the combination of falling sales and rising costs, retailers reported a reduction in gross margins. Also adding to the squeeze on margins – the most marked in five months – was a further round of discounting among retailers, according to anecdotal evidence.

February saw an increase in the level of employment across Italy's retail sector, the sixth in as many months. That said, the rate of job creation eased since the preceding survey period to show only a fractional rise in workforce numbers overall.

Comment:

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

"Consumer spending remains a weak link in the Italian economy. The retail sector saw its current downturn continue as sales fell at the fastest rate since last September, which contrasted with the improved performances seen across both the manufacturing and service sectors.

"Retailers are also facing a spike in cost pressures, with not only global commodity prices on the up but also the recent severe cold weather causing a surge in the cost of fresh produce."

-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. 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*, 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.

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.

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@ihsmarkit.com.

About IHS Markit (www.ihsmarkit.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/product/pmi.