

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

Tough start to 2018 signalled by Italian retailers

Key findings:

- Like-for-like sales fall on monthly and annual measures at fastest rates in six months
- Heavy discounting and rising operating costs weigh on margins
- Retailers left with excess stock as sales disappoint

Data collected January 12-29

The Italian retail sector started 2018 on an uneven footing, registering declines in sales on both monthly and annual measures. Margins remained under pressure as retailers tried to shift excess stock through further discounting whilst average prices paid increased again.

However, employment continued to rise modestly, whilst there were positive expectations for the month ahead.

The IHS Markit Italy Retail PMI – which measures changes in like-for-like sales on a month-on-month basis – came in at 47.3 during January. That was down from 49.5 in December and the lowest recorded level since last July. Sales have now fallen on a monthly basis since November.

Compared to a year ago, like-for-like sales were again markedly down with the rate of contraction also the sharpest in the past six months.

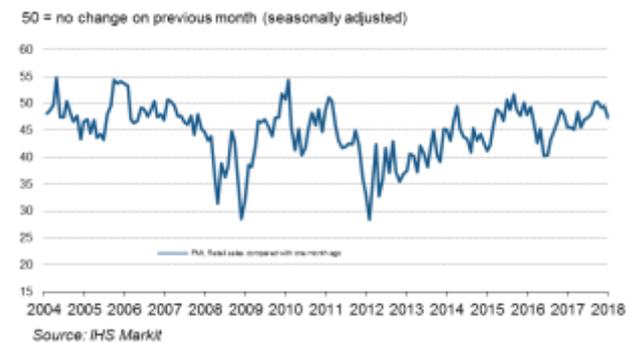
Footfall was reported by panellists to be down, whilst a number of respondents also blamed online competition for declining sales at their outlets.

In line with the trend of previous months, margins remained under considerable pressure as retailers continued to offer discounts to customers in a bid to stimulate higher sales.

Purchasing prices also continued to increase over the month, with the prices of foodstuffs (meat, fruit,

and vegetables) plus fuel and energy reported to be higher.

IHS Markit Italy Retail PMI®



Overall, average prices paid for inputs increased at a marked pace that was in line with the survey average.

The combination of discounting and rising purchasing prices meant margins deteriorated during January at the greatest rate since September 2016.

Compared to expectations, sales continued to under-perform noticeably. Latest data showed that January's sales levels missed previously set plans to the greatest degree for seven months, a result that disappointed many retailers given the discounts on offer to customers.

A fourth consecutive monthly increase in purchasing activity was signalled during January. Retailers reported going ahead with planned purchasing, particularly of new product lines.

However, the rate of growth was modest, especially at a time when stocks continued to increase. The rate of growth in stocks remained marked, only just below November's record pace. Weaker-than-expected sales remained the main factor driving inventories higher.

Finally, a seventeenth successive monthly increase in staffing levels was recorded at the start of 2018. Whilst the strongest since July 2006, the net increase in employment remained relatively modest during the month as the vast majority of retailers indicated no change in employment compared to December.

Comment:

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

“Italy’s retail sector endured a tough start to 2018 as consumers remained unwilling to spend despite retailers continuing to cut prices and offer discounts on goods.

“Whilst not necessarily a surprise – panellists signalled last month that sales were likely to miss their targets in January – the scale of the fall proved to be greater than expected, and has left many retailers with excessive stock at their outlets.

“This points to ongoing margin pressure in the coming months as retailers seek to shift inventories by offering further discounts to stimulate demand.”

-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.

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