

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 10:10 (CEST) / 08:10 (UTC), May 5th 2017

Markit Italy Retail PMI®

Retail PMI shows slowest fall in sales for five months

Key findings:

- Sales rise on annual basis due to late Easter
- Sector employment edges higher
- Purchase prices show solid and accelerated increase

Data collected April 11-26

Retail sales in Italy fell at the slowest rate for five months in April, according to the latest *PMI*® survey data. Measured on an annual basis, sales rose fractionally and for the first time in over a year, due largely to the late timing of Easter. Sector employment meanwhile continued to edge higher, while firms faced a solid and accelerated rise in average purchase prices.

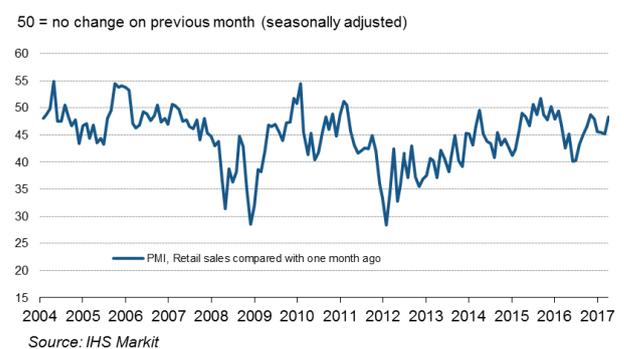
The headline Markit Italy Retail PMI – which measures changes in like-for-like sales on a month-on-month basis – climbed to 48.3 in April. The index rebounded from March's six-month low of 45.1 and signalled the slowest rate of decline in sales since November last year.

Although falling on a monthly basis, linked to weak underlying consumer demand and low footfall, sales were up fractionally compared with the same month the year before. However, the rise was only marginal and followed a sharp year-on-year decrease in March, with anecdotal evidence pointing to the timing of Easter as having somewhat skewed shopping patterns over the past two months.

Retailers were again left disappointed by the sales outcome in April, with targets missed on average. The extent of the underperformance was substantial and only slightly less marked than those seen in each of the previous two months.

April meanwhile saw a drop in retailers' confidence towards future sales prospects. That said, sentiment remained strongly positive overall and was well above the historical series trend level.

Markit Italy Retail PMI®



The slower fall in sales in April was reflected in an easing in the rate of decline in retailers' spending on goods for resales, which showed only a marginal reduction that was the least marked in 2017 so far.

Stocks of purchases meanwhile rose for the seventh time in the past eight months. Moreover, the latest increase was one of the fastest recorded over the past nine years.

Despite the ongoing downturn in sales, retailers continued to take on additional staff during April, citing greater company needs and marking eight consecutive months of job creation across the sector. However, although picking up to the highest since the start of the year, the rate of increase in employment remained marginal overall.

Latest data showed a further decrease in average gross margins across the retail sector, which anecdotal evidence attributed not only to a reduction in sales but also discounts and promotions. The rate of deterioration was marked but eased to the slowest since November last year.

Another factor adding to the squeeze on profitability was a rise in average purchase prices faced by retailers. The increase, which was linked by panel members to list price adjustment among suppliers as well as higher raw material costs, was solid and

faster than the month before, although much slower than February's recent peak.

Comment:

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

"The retail PMI climbed to a five-month high in April, though at 48.3 it continued to point to ongoing weakness in consumer spending, which remains a drag on economic growth."

"The manufacturing and service sectors are seeing strong upturns, whereas retail sales remain more subdued. Although sales rose year-on-year in April, that can be largely attributed to the timing of Easter. The average index reading for the past two months was below the 50 no-change mark."

-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.

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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.

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