

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 08:45 (UK Time), 3rd November 2014

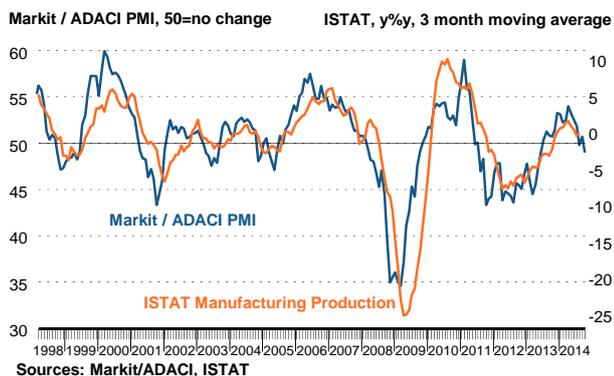
Markit/ADACI Italy Manufacturing PMI®

Goods production falls as manufacturers face drop in new orders

Key points:

- Weakness on order front leads to job cuts as well as lower output
- Export growth dips to 22-month low
- Fastest decrease in backlogs of work for 18 months

Historical overview:



Summary:

October saw the Italian manufacturing sector return to contraction as both output levels and new orders decreased. Employment levels were reduced for the second time in three months as rapid progress continued to be made on backlogs of work. Elsewhere, input price inflation slowed to a five-month low and average output prices were raised slightly.

The headline Markit/ADACI Italy Manufacturing *Purchasing Managers' Index*® (PMI®) – a single-figure measure of overall business conditions – dropped to a 17-month low in October, registering 49.0 (from 50.7 in September) and signalling a deterioration in overall operating conditions in the goods-producing sector.

Manufacturers reported notable weakness on the demand side in October, with new orders down solidly on the month. This ended a sequence of

growth in new business stretching back to mid-2013. Export sales continued to grow, but the rate of increase was only marginal. Anecdotal evidence suggested firms were being impacted by subdued demand conditions both at home and across European markets.

Reduced intakes of new orders in October led manufacturers to cut production levels for the first time since May 2013. The decrease in output was only slight, however, with firms supporting production levels through the clearing of backlogs of work. Outstanding business in fact fell to the greatest degree for 18 months during October.

October also saw a second successive monthly rise in stocks of finished goods as sales levels disappointed. Although only moderate overall, this latest increase in post-production inventories was the most marked since April 2012.

In line with reduced production requirements and evidence of spare capacity at units, manufacturers cut staff numbers during October. The decrease in employment was the second in the past three months following a slight increase in September, albeit the rate of job shedding was only marginal.

Data also showed a solid drop in buying levels among manufacturers, with the rate of decline having accelerated for the second straight month to the fastest since June of last year. Stocks of inputs fell slightly on the back of the decrease in purchasing activity.

Despite lower demand for inputs among manufacturers in Italy, they still faced an increase in supplier delivery times. Anecdotal evidence attributed poorer vendor performance to low stock levels in supply chains.

Average purchase prices rose only modestly by historical standards in October, the rate of cost inflation having dipped for the third month in a row to the slowest since May. Manufacturers passed on part of the burden of higher input costs to clients,

raising their output prices slightly on average and for the third time in four months.

Comment:

Phil Smith, economist at Markit which compiles the Italian Manufacturing PMI® survey said:

“The manufacturing PMI resumed its worrying slide seen since May after having ticked up slightly in September. Falling back below 50.0, the index points to Italy’s manufacturing sector returning to contraction.

“The survey showed that output dipped in October and, furthermore, a drop in new orders, rapidly shrinking backlogs of work and further accumulation of finished goods bodes ill for November’s output prospects.

“Manufacturers are back in retrenchment mode, cutting staff that are surplus to requirements and lowering buying levels in order to minimise unwanted build-up of stocks. This scaling back of purchasing activity continued to weigh on input price inflation, which in October reached a five-month low.”

-Ends-

For further information, please contact:

Markit

Phil Smith, Economist
Telephone +44 1491 461 009
Email phil.smith@markit.com

Joanna Vickers, Corporate Communications
Telephone +44 207 260 2234
Email joanna.vickers@markit.com

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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