

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 10:10 (CEST) / 08:10 (UTC), June 6th 2018

IHS Markit Italy Retail PMI[®]

Retail sales deteriorate further in May

Key findings:

- Low footfall, political instability and under pressure incomes led to decline in sales
- Gross margins come under pressure from rising costs
- Retailers left with excess stock after underwhelming sales

Data collected May 11-29

Italy's retail sector remained in contraction territory during May, with sales on both monthly and annual measures declining. Previously set targets were again missed, whilst margins were under sustained pressure in line with rising operating expenses and discounting.

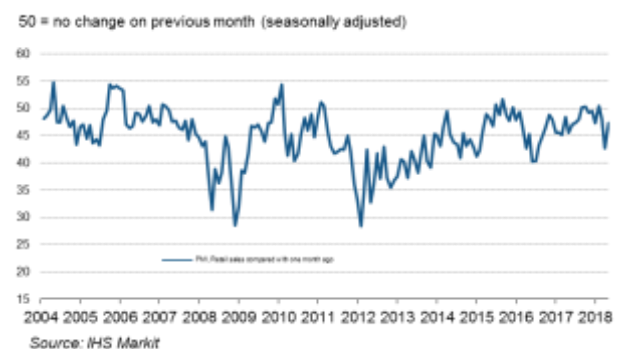
Amid an uncertain outlook, purchasing of goods were cut again, whilst underwhelming sales led to a further build-up in inventories. Companies nonetheless added to their workforce numbers over the month.

The IHS Markit Italy Retail PMI – which measures changes in like-for-like sales on a month-on-month basis – posted 47.3 in May. That was up from 42.7 in April but by remaining below the crucial 50.0 no-change mark, signalled a third successive monthly fall in retail sales.

Compared to a year ago, sales were also down, maintaining a trend that has been evident since October 2017. Panellists reported lower consumer footfall during May, which a number linked to under pressure incomes and ongoing political uncertainties.

When assessed against targets, sales continued to come in much lower than expected.

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A number of panellists expressed disappointment with the latest sales miss, but noted aforementioned headwinds as factors. June is expected to be a stronger month for retailers, with over a fifth of panellists anticipating that sales will come in better than previously set plans.

May's survey indicated that retailers continued to suffer from considerable pressure to their margins during May. Panellists commented that ongoing discounting, reflective of efforts to bolster sales, was a key factor behind the latest deterioration in margins.

A number of panellists also noted a rise in their operating expenses. Average prices paid for goods for resale increased at the fastest rate since last November, according to the latest data. Rising fuel costs were largely reported to have pushed up wider prices, whilst a number of companies commented that suppliers were revising up their price lists.

With sales continuing to disappoint relative to plan, retailers were again left with excess stock at their units. Stocks of goods for resale increased during May for a sixteenth successive month, although the

latest growth was the weakest since last September.

Meanwhile, purchasing activity continued to be cut during the month, reflective of lower sales and efforts to utilise stocks. The rate of contraction was solid, albeit much slower than in the previous month.

Finally, latest data showed that jobs continued to be added within the retail sector during May. Moreover, the rate of growth was solid, and the best recorded by the survey to date.

Comment:

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

“Against a backdrop of rising political and economic uncertainties, Italy’s retail sector remained in the doldrums in May. Sales continued to fall on both monthly and annual measures amid widespread reports of low footfall during the month.

“Rising fuel prices, which are concurrently raising retailers’ margins and squeezing household incomes, added to the pressure on the sector and add to an extremely uncertain outlook.”

-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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