

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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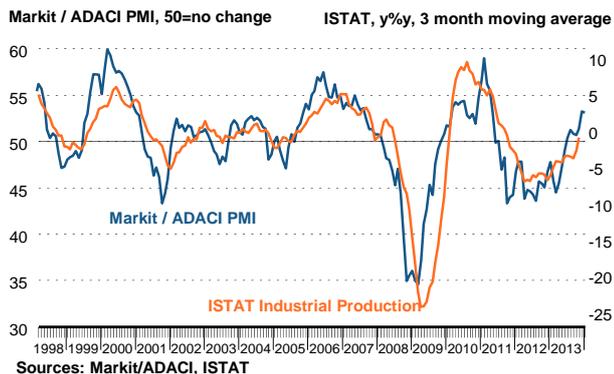
Markit/ADACI Italy Manufacturing PMI[®]

Growth of manufacturing output strengthens to fastest since April 2011

Key points:

- Output rises strongly amid further expansion in new orders
- Employment continues to climb at modest pace
- Cost inflation eases to four-month low

Historical overview:



Summary:

Growth in Italy's manufacturing sector continued into the new year, according to January's *PMI[®]* survey. Production levels rose at a solid and accelerated pace, while there was also a further, albeit slightly slower, rise in new orders on the month. Amid this strengthening of demand, businesses raised employment and average output prices. On the cost front, input price inflation dipped to the lowest since September.

At 53.1 in January, down only fractionally from December's 32-month high of 53.3, the headline Markit/ADACI Italy Manufacturing *Purchasing Managers' Index[®]* (*PMI[®]*) – a seasonally adjusted composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy – indicated a further notable improvement in the health of Italy's manufacturing sector. This was the seventh consecutive reading above the neutral 50.0

threshold, signalling a sustained improvement in business conditions.

Data showed goods production increased to the greatest extent since April 2011, rising markedly and for the eighth month running. Firms operating in the investment goods sub-sector posted the best overall performance, continuing the trend observed in each month since September.

Supporting higher production was a seventh straight monthly increase in incoming new work at manufacturers. Although slightly slower than in December, the rate of growth in new orders nevertheless remained solid and was the second fastest in the past two-and-a-half years. The trend in new export orders echoed that observed for total new business, with January's increase less marked than in December but robust nonetheless.

January saw a renewed decline in backlogs of work following two consecutive months of growth, a reflection of the disparity between the respective growth rates of output and new business.

Manufacturers continued to add to their payrolls during January, as has been the case in each of the past three months. The rate at which employment rose was the fastest since May 2011, although only modest in relation to the pace of growth in output.

Higher production requirements also encouraged firms to raise their buying levels in January. The degree to which purchasing activity increased was less marked than that observed for output, however, contributing to an accelerated fall in pre-production stocks. Finished goods inventories also declined during the month.

Manufacturers faced longer lead times from suppliers than in December, and also saw their average purchase prices rise again. That said, input price inflation was the slowest in four months and only mild in the context of historical survey data. Output prices on the other hand increased at a faster rate, the sharpest in more than a year.

Comment:

Phil Smith, economist at Markit and author of the Italian Manufacturing PMI® said:

“The manufacturing sector maintained its forward momentum into 2014, recording an eighth straight monthly increase in output that was the most marked in over two-and-a-half years. Furthermore, growth looks set to continue as new orders rose solidly again, with businesses reacting to this sustained improvement in operating conditions by upping their rate of job creation.

“Manufacturers have also gained a degree of pricing power in recent months, and in January raised their charges to the greatest extent since December 2012. That said, the increase was still only modest overall and weaker than the concurrent rise in costs, highlighting that firms remain cautious not to choke off demand at this early stage of a recovery.”

-Ends-

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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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