

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

Considerable fall in retail sales in April

Key findings:

- Both annual and monthly sales measures record declines
- Gross margins deteriorate sharply
- Poor sales leave retailers with excess stock

Data collected April 12-26

Italy's retail sector experienced a challenging start to the second quarter of 2018, registering considerable declines in sales on both monthly and annual measures amid reports of notably lower footfall due to an uncertain economic and political climate.

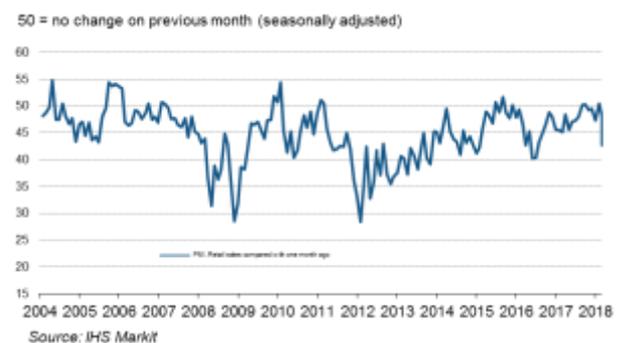
Poorer-than-expected sales volumes left firms with an excess of stock at their units, and discouraged purchasing activity. With operating costs rising further, and price promotions continuing to be offered, gross margins deteriorated to the greatest degree in nearly four-and-a-half years.

The IHS Markit Italy Retail PMI – which measures changes in like-for-like sales on a month-on-month basis – dropped sharply during April to 42.7. Down from 48.0 in the previous month, the latest reading was the lowest seen since July 2016.

Sales declined to an even greater degree on the annual measure, although this was in part driven by the timing of Easter in 2018 relative to 2017. Nonetheless, panellists noted that footfall was well down at a time of ongoing political uncertainty in Italy. Strong competitive pressures were also reported by a number of retailers as a reason for their negative trend in sales.

When compared to expectations, sales were well down with retailers broadly expressing disappointment that they didn't meet targets and get close to their plans.

IHS Markit Italy Retail PMI®



Companies are on average anticipating a better May, with hopes of greater political stability, new product launches and an improvement in wider economic growth seen as reasons to be optimistic.

April's survey showed the continuation of deteriorating gross margins for Italian retailers. The rate of contraction was considerable, and the greatest in nearly four-and-a-half years. Promotional activities remained a key factor impacting on margins during the latest survey period.

Higher operating costs were also reported to have led to narrower margins, in part the result of another marked rise in average prices paid for goods for resale. Higher commodity prices were reported to have been passed down the supply chain, whilst there were also reports of increased fuel costs.

Poor sales volumes in April were reported to have left retailers with some excess stock during the latest survey period. Stocks of goods for resale

increased for a fifteenth successive month, although the latest growth was the weakest recorded by the survey since last September.

The slowdown in growth of inventory accumulation partly reflected a sharp reduction in purchasing activity. Retailers reportedly cut their buying of goods for resale due to a sharp fall in sales during the month

Finally, another increase in staffing levels was recorded during April, although growth was marginal as the vast majority of retailers (93%) left their payroll numbers unchanged.

Comment:

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

“April’s survey again highlighted the precarious state of domestic consumption amongst Italian households, with sales falling considerably on both monthly and annual measures.

“Whilst the downturn was exacerbated by the timing of Easter in 2018 compared to 2017, the underlying trend in sales has been increasingly poor since the turn of the year and reflects restricted spending power amongst consumers plus ongoing political uncertainties as the country awaits the formation of a new government.

“Moreover, there seems little prospect of a let-up for retailers as they struggle to bolster profitability at a time of excess stock, rising operating expenses and ongoing margin pressures.”

-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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About PMI

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