

News Release

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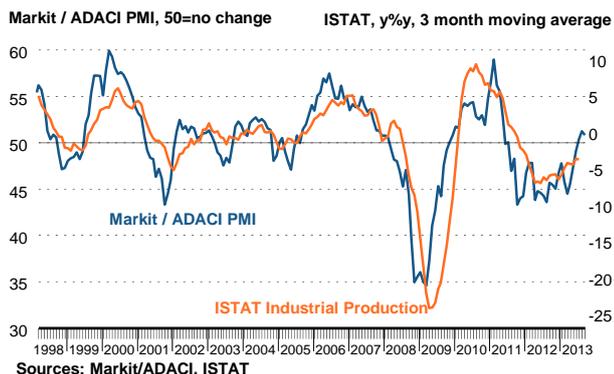
Markit/ADACI Italy Manufacturing PMI[®]

Manufacturing output grows at slower pace in September

Key points:

- Output and new orders increase at slower rates
- Further marked rise in new export orders
- Job shedding continues at modest pace

Historical overview:



Summary:

Italian manufacturing output continued to grow in September, although the pace of expansion eased after having hit a 28-month high in August. Slower increases in new orders and purchasing activity were also signalled by latest data, while employment was shown to have fallen modestly. Average input prices meanwhile increased, leading firms to raise output prices for the second straight month.

Business conditions in Italy's manufacturing sector improved in September, as highlighted by the headline seasonally adjusted Markit/ADACI Italy Manufacturing Purchasing Managers' Index[®] (PMI[®]) – a composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy – posting slightly above neutrality, at 50.8. Although down from 51.3 in August, the headline index nevertheless posted its highest quarterly average since the second quarter of 2011.

Output levels at manufacturers rose for the fourth straight month in September, supported by a further (albeit slower) increase in intakes of new work. Despite easing since August, the rate of growth in production was nevertheless still solid and the second-fastest in the past 28 months.

September's increase in new orders was only modest despite sales to foreign clients rising markedly on the month. Indeed, the pace of expansion in new export orders remained well in excess of the average recorded over the current nine-month sequence of growth.

Higher production requirements and inflows of new orders impacted on manufacturers' purchasing activity, the level of which rose for the second month running in September. The latest increase was only modest in comparison to the pace of growth in output, however, contributing to a further drop in stocks of purchases.

Post-production inventories also decreased during September, extending the current sequence of decline to five months.

Seeking to control costs, manufacturers continued to reduce their staffing numbers during the latest survey period. The overall rate of decline in employment was little-changed from that recorded one month before.

Backlogs of work at manufacturers were reduced during September, as has been the case in each month since May 2011. That said, the rate of reduction eased to the slowest in the current sequence of decline, and was only modest overall.

September data showed a second straight monthly rise in average factory gate prices. The increase was more marked than in August, although still only mild. Firms that raised their output prices often linked this to higher input prices, in particular citing increased raw material costs. Elsewhere on the supply side, vendors' delivery times lengthened for the first time in three months.

Comment:

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

“The headline manufacturing PMI slipped from its recent high in August but was nevertheless in expansion territory for a third straight month, implying that the sector has made a positive contribution to GDP in Q3. Data suggested that the slowdown in growth in September was mainly attributable to fragility in the domestic economy, with the recent surge in new export orders continuing.

“The third quarter overall was the best in terms of average output growth since Q2 2011, yet manufacturers have refrained from adding staff and, in fact, continued to cut headcounts during September as part of attempts to rein in costs. However, with backlogs of work falling only marginally, there is evidence to suggest that manufacturers are operating at near-full capacity and we are likely to see employment stabilise in coming months should new orders remain positive.”

-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 450 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 PMIs

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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