

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

Retail sales fall again in June

Key findings:

- Sales drop month-on-month and year-on-year...
- ...though rates of decline ease slightly
- Slower falls in gross margins and buying levels; job numbers rise

Data collected June 12-28

Retail sales in Italy fell month-on-month and on an annual basis in June, according to the latest PMI® survey data. Rates of decline were less marked than those seen in May, however, and retailers' gross margins and purchasing activity also dropped more slowly. Sector employment meanwhile rose slightly, continuing a recent spell of steady but unspectacular job creation.

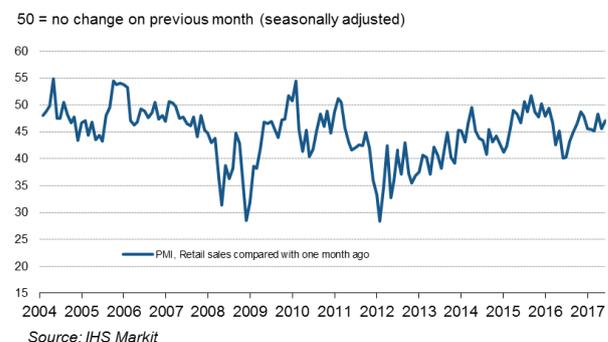
The headline IHS Markit Italy Retail PMI – which measures changes in like-for-like sales on a month-on-month basis – read 47.1 in June, up from May's 45.5. This signalled a further (albeit slower) decrease in sales, which panel evidence attributed to weak consumer spending power and low footfall.

Sales were also down compared with the same month a year earlier, with the rate of decline on an annual basis slightly slower than in May but still sharp overall.

Retailers had generally expected a better sales performance in June. Around two-in-five businesses missed their targets (compared with only 6% that surpassed them), though the overall degree of underperformance was less severe than in May.

June's survey meanwhile showed a further waning of retailers' confidence towards future sales prospects. Month-ahead sales forecasts were in fact the least optimistic since January, with sentiment having deteriorated sharply in each of the past two months.

IHS Markit Italy Retail PMI®



The sustained drop in sales, alongside the use of discounts to attract customers, led to a further deterioration in retail gross margins in June. Although the rate of decline was slower than that recorded in May, which saw the steepest contraction for eight months, it remained sharp overall.

Weaker sales also led to a reduction in retailers' spending on goods for resale, the level of which has now fallen in each of the past seven months. The rate of decline in purchasing activity was relatively moderate, however, having slowed sharply from that seen in the previous survey period.

Inventories rose across the retail sector for the fifth month running in June as sales fell short of plans. That said, in this latest instance stock levels increased only slightly and to the least extent since February.

The retail sector saw a rise in employment during June despite the disappointing sales performance, to sustain a recent spell of job creation that stretches back to September last year. However, as has been the case throughout this period, the extent to which staffing numbers rose was only marginal.

Finally, June's survey pointed to the continuation of subdued cost pressures across the retail sector. Although there was a rise in average prices paid for purchases, the rate of inflation picked up only slightly from May's 31-month low and remained well below the historical trend level. Anecdotal evidence suggested that pricing power was low among suppliers.

Comment:

Phil Smith, economist at IHS Markit which compiles the Italian Retail *PMI*[®] survey, said:

"At 47.1, June's retail PMI indicated a further monthly decrease in like-for-like sales. There was also a contraction on an annual basis for the second month running following an all-too-brief return to growth in April, confirming that the underlying trend in consumer spending remains subdued. Survey respondents continued to comment on weak spending power among consumers and low footfall, and this looks set to last with real wages remaining under pressure from inflation."

-Ends-

For further information, please contact:

IHS Markit

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

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

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

Purchasing Managers' Index[®] (*PMI*[®]) surveys are now available for over 30 countries and also for key regions including the eurozone. They are 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/product/pmi.

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