

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

### Sales fall at fastest rate for six months in March

#### Key findings:

- Year-on-year decline in sales sharpest since July 2016
- Gross margins and purchasing activity fall, whereas stocks and employment rise
- Purchase price inflation slows since February

Data collected March 13-29

Italian retail sales fell in March to extend a sequence of decline seen since the start of 2016. Moreover, the rate of contraction was the fastest for six months, which was reflected in further reductions in both sector gross margins and spending on goods for resale. Nevertheless, employment levels rose fractionally as firms reported strongly positive expectations for sales in the month ahead.

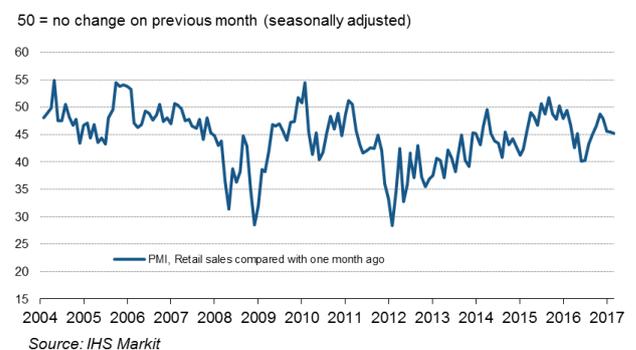
The headline Markit Italy Retail PMI® – which measures changes in like-for-like sales on a month-on-month basis – fell for the fourth month running in March, down to 45.1 from 45.5 in February. A reading below 50 signifies contraction, and the greater the divergence from 50 the faster the rate of decline. Among those retailers that recorded a drop in sales there were mentions of lower footfall and weaker spending power among consumers.

Measured on a year-on-year basis, the rate of decline was the sharpest seen since July 2016. On top of underlying weakness in consumer spending, there were also reports from panellists that the timing of Easter had been detrimental to sales relative to the year before.

Retailers continued to underperform relative to their plans during March, and the extent to which sales were below target was close to February's seven-month record.

Belying the recent downturn in sales and missed targets, retailers reported strong confidence towards the month-ahead outlook,

#### Markit Italy Retail PMI®



with many hoping to make amends for the recent poor run of sales. Factors mentioned as likely to support sales in the coming months included promotions, new collections and models, and more favourable weather. Low consumer confidence and fiscal pressures were mentioned as potential threats to the outlook.

March saw a fourth straight monthly decrease in retailers' spending on goods for resale, linked to lower sales and efforts to prevent the unwanted build-up of stock. The rate of decline in purchasing activity was solid and the fastest seen since last September, although inventory levels continued to rise amid disappointing sales.

Average prices paid for purchases increased in March, but the rate of inflation was substantially slower than in the previous survey period, when panellists had widely commented on higher costs for fresh produce. There were reports of lower oil prices helping cushion generally higher prices from suppliers in the latest month.

The combination of lower sales and higher prices paid for purchases, alongside widespread reports of discounting, led to a further deterioration in sector gross margins in March. Furthermore, the extent to which gross margins decreased was the most marked for six months.

On a more positive note, March's survey indicated a further, albeit fractional, rise in retail employment, thereby extending the current sequence of job creation to seven months.

**Comment:**

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

*"The retail sector has endured a tough opening quarter, culminating in another sharp decrease in sales in March. Gross margins have come under greater pressure as a result, deteriorating at the fastest rate for six months. That was despite retailers facing a much slower increase in purchase prices than in February, linked to lower oil prices and reflecting less upward pressure from foodstuffs."*

-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. 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*, 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.

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.

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@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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