

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 10:10 (CEST) / 09:10 (UTC), January 5<sup>th</sup> 2018**

## IHS Markit Italy Retail PMI<sup>®</sup>

### Retail sales falter at end of 2017

#### Key findings:

- Fall in sales recorded on both monthly and annual measures
- Sales miss previously set plans to a considerable degree
- Inventories build as purchasing increased at survey record pace

#### Data collected December 5-19

Italy's retail sector registered a disappointing end to 2017, with sales down on both monthly and annual measures despite ongoing promotional discounting. This led to another marked deterioration of margins, whilst expectations for January were also subdued.

Nonetheless, retailers still increased their purchasing activity at a notable rate which led to another marked increase in stocks of goods for resale. Staffing levels also rose in December, albeit slightly.

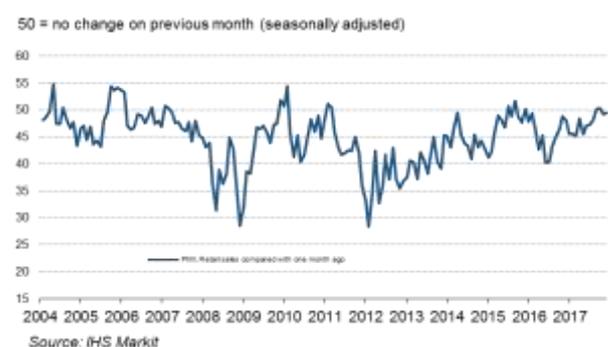
The IHS Markit Italy Retail PMI – which measures changes in like-for-like sales on a month-on-month basis – recorded a level of 49.5 during December. That was up from 49.2 in the previous survey period and marked a second consecutive marginal monthly decline in retail sales.

Compared to a year ago, sales were also down. Here the degree of contraction was more notable, with the rate of decline close to November's four-month record.

Panellists reported that footfall was generally lower, and that consumer purchasing power remained under strain at the end of 2017.

There were a number of reports from the survey panel that sales growth had failed to materialise at a time of considerable promotional activity and discounting.

#### IHS Markit Italy Retail PMI<sup>®</sup>



With reports also of strong market competition, ongoing discounting meant the margins of Italian retailers remained under pressure during December. Latest data showed that gross margins deteriorated at a marked and accelerated pace during the month.

Sales came in well below expectations during December. Nearly a third of the survey panel reported a miss in sales relative to target during the month, and a notable proportion of companies are anticipating that like-for-like sales will be lower than previous set plans in January. Retailers linked their pessimism to worries over the recent negative trends in demand and fears that consumers will remain cautious in the early part of 2018.

Despite signalling pessimism over January sales, retailers in Italy continued to raise their purchasing of goods for resale. December data showed that growth was the best in the survey history, and the third month in succession that an increase has been registered.

Solid growth of purchasing activity meant that inventories of goods for resale also continued to build during the month. The rate of growth was again strong, easing only slightly on November's record.

Meanwhile, purchase prices continued to increase at the end of 2017, but at the slowest rate for four months as a number of vendors were reportedly providing discounts and promotional offers.

Finally, jobs continued to be added in the retail sector during the latest survey period, extending the current run of growth to 16 months. However, the degree to which employment rose was only marginal.

### Comment:

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

*“December proved to be a disappointing month for Italy’s retail sector as like-for-like sales continued to falter. Lower footfall and limited consumer purchasing power were both noted as factors weighing on sales and, worryingly, these are likely to scupper performance in January with retailers at their most pessimistic since the summer of 2016.*

*“Moreover, expect margins to come under ongoing pressure. Disappointing sales in December plus strong purchasing activity mean that stocks are continuing to rise in the sector and are likely to encourage further discounting as retailers seek to shift excess inventory in the months ahead.”*

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

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