

## News Release

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
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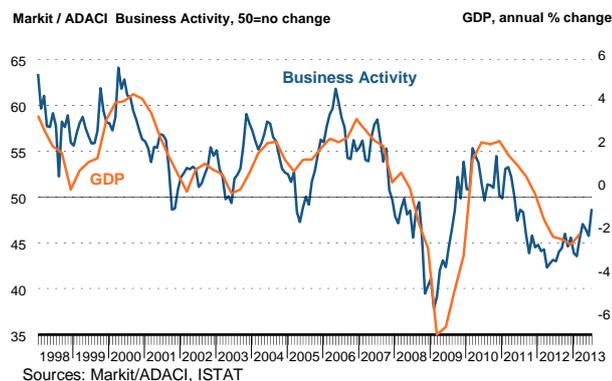
### Markit/ADACI Italy Services PMI<sup>®</sup>

#### Downturn in service sector slows in July

##### Key points:

- Business activity falls at much slower pace at start of Q3
- Rate of job losses remains marked
- Substantial drop in output prices, despite strongest rise in costs in 15 months

##### Historical overview:



##### Summary:

Italy's service sector made a positive start to the second half of the year, posting a much slower decrease in business activity than in June, and also a weaker fall in new work. A challenging business environment remained, however, with firms upping the rate of job shedding amid a sharp squeeze on profits from strong cost pressures and discounted output prices.

The headline Markit/ADACI Business Activity Index – which is based on a single question asking respondents to report on the actual change in business activity at their companies compared to one month ago – climbed sharply to a 26-month high of 48.7 in July, from 45.8 in June. This signalled an easing of the rate of decline in business activity to only a modest pace.

The level of new business received by services firms also decreased at a slower rate. However, the

slowdown was much less abrupt than that recorded for business activity, with July's reduction in new work still solid in the context of historical survey data. Anecdotal evidence indicated that lower footfall had contributed to the drop in sales since June.

With new work inflows falling more sharply than business activity, the amount of work-in-hand at services companies also decreased during the month. The rate of backlog depletion was solid, and faster than in the previous survey period.

That was despite a substantial reduction in staffing capacity in July. The rate of job losses among Italian service providers picked up for the fourth month running, and was overall the fastest since February. This latest decrease in employment extended the current sequence of decline to 26 months.

July data meanwhile indicated a rapid acceleration in input cost inflation in the service sector, up further from May's 39-month low to the fastest since April 2012. Increases in fuel prices and the cost of foodstuffs were reportedly behind the strong overall rise in cost burdens.

Whereas input prices rose at a faster rate in July, prices charged by services firms fell to the greatest extent in over three-and-a-half years. July's decrease was the twenty-fourth in successive months, and the result of efforts to boost client demand, according to panel member reports.

July saw a notable improvement in confidence among service providers regarding their future performance, to the strongest in two years. Firms expecting output to be higher in a year's time predict growth of new business on the back of increased investment and improved marketing strategies.

*Continued....*

**Comment:**

Phil Smith, economist at Markit and author of the Italy Services PMI® said:

*“The downturn in Italy’s service sector lost momentum in July, with business activity falling only modestly and at the slowest pace in the current 26-month sequence of decline. Taken alongside July’s solid increase in goods production, the private sector economy was close to stagnation in the opening month of Q3.*

*“Although the most positive since April, latest data for new business at services firms meanwhile still pointed to a solid rate of decline. For the sector to continue its bright start to the second half of the year, we will need to see an improved picture on this front. Such was the weakness in demand during the month, firms cut charges markedly in a bid to boost activity despite facing the sharpest rise in cost burdens in 15 months.*

*“The trend in services employment, which often lags those for new work and overall business activity, worsened slightly in July, with the latest round of job cuts the most substantial since February. A lack of pressure on operating capacity, as highlighted by a solid and accelerated decrease in outstanding business, was perhaps vindication for this.”*

-Ends-

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**Notes to Editors:**

The Italy Services PMI® (*Purchasing Managers’ Index*®) is produced by Markit Economics. The report features original survey data collected from a representative panel of over 450 companies based in the Italian service sector.

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 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](mailto:economics@markit.com).

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#### **About PMIs**

*Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) surveys are now available for 32 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/economics](http://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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