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## IHS MARKIT ITALY SERVICES PMI®

INCLUDING IHS MARKIT ITALY COMPOSITE PMI®

### Services downturn continues into March

#### KEY FINDINGS

Business activity falls again amid renewed dip in new work

Firms continue to reduce employment

Business confidence strongest for nearly a decade

Data were collected 12-26 March 2021.

Italy's service sector remained mired in a downturn at the end of the first quarter, according to the latest PMI® data. Business activity declined further, and at a slightly accelerated pace, amid a renewed dip in new work. As a result, firms continued to trim their workforce numbers during March, with the rate of job shedding quickening on the month.

Nonetheless, the ongoing coronavirus disease 2019 (COVID-19) vaccine rollout and hopes of a recovery buoyed business confidence during March, with sentiment the strongest for over a decade.

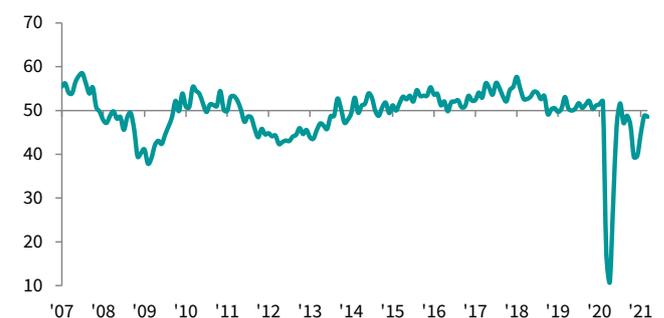
The headline index from the report, the seasonally adjusted Business Activity Index – which is based on a single question asking respondents to report on the actual change in business activity at their companies compared to one month ago – registered 48.6 in March, down slightly from February's reading of 48.8. This signalled an eighth straight monthly contraction in service sector output, albeit one that was marginal overall.

Driving the sustained decline in March was a renewed fall in inflows of new work. Following a slight upturn in February, new business declined marginally amid reports of weak demand conditions due to COVID-19 restrictions. New orders from abroad also decreased in March, extending the current sequence of contraction to 21 months, although the rate of decline was the slowest since August 2019.

Meanwhile, services firms continued to trim their staff numbers during March. Panellists attributed the latest fall to the non-replacement of voluntary leavers. The rate of

Italy Services PMI Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

job shedding quickened slightly since February and was moderate overall.

At the same time, weak sales and lower activity requirements allowed companies to again work through backlogs. The level of outstanding business fell at the slowest pace in 13 months of contraction and was only slight, however.

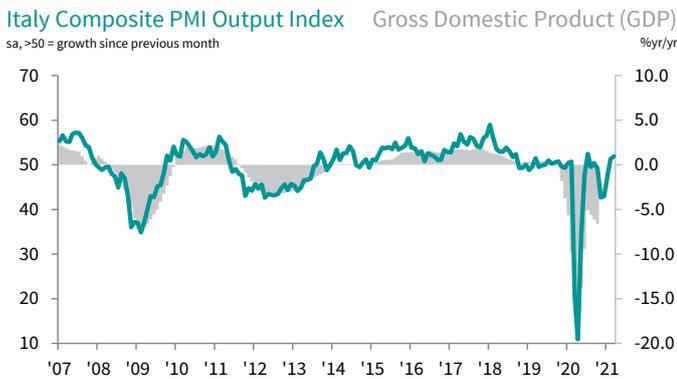
Turning to prices, cost pressures remained strong during the closing month of the first quarter, with firms linking the latest increase in input prices to greater utility, fuel and administrative costs. Despite easing, the rate of inflation was solid.

Nonetheless, service providers continued to offer discounts as part of efforts to attract sales during March. Average charges fell for the twentieth month in a row and moderately overall.

Positive news came from business confidence in March, with firms' expectations buoyed by hopes of improved demand and an economic recovery following looser restrictions due to the ongoing vaccine rollout. The level of positive sentiment was the highest since September 2010, and pointed to a robust level of confidence towards activity over the next year.

## IHS MARKIT ITALY COMPOSITE PMI®

## Growth sustained at close of first quarter



The Composite Output Index\* registered 51.9 in March, up from 51.4 in February to signal sustained growth of Italy's private sector during March. Moreover, the latest reading was the highest since July last year.

At the sector level, the upturn was driven by manufacturing, which saw the steepest rise in output for over three years. Meanwhile, services saw another contraction in activity albeit one that was only mild.

Central to the upturn in March was a further expansion in new business at Italian private sector firms. The rate of increase was the quickest since September 2018 and moderate overall. Firmer demand also stemmed from foreign markets during March, as new orders from abroad rose at the steepest pace on record.

At the same time, companies registered the first increase in outstanding business since June 2018. That said, the rate of backlog accumulation was only mild overall. Following a slight upturn during February, private sector employment was broadly unchanged on the month during March, with the respective seasonally adjusted index posting just above the neutral 50.0 mark.

Turing to prices, inflationary pressures remained robust at the end of the first quarter. Cost burdens rose at the most marked rate since February 2012. In response, Italian private sector firms raised their average charges for the first time since late-2018.

Finally, companies registered the most optimistic outlook towards activity over the next year in the series history (since July 2012) during March.

### COMMENT

Commenting on the PMI data, Lewis Cooper, Economist at IHS Markit said:

*"Italy's service sector remained stuck in a downturn at the close of the first quarter. Business activity fell further, in part due to a renewed dip in inflows of new work, with panelists citing weak demand due to COVID-19 restrictions. Nonetheless, confidence at services firms was the strongest for over a decade, with firms confident of a solid recovery once measures are eased amid the vaccine rollout."*

*"Despite the poor services performance, private sector output across Italy rose further during March as the strongest growth of factory production for over three years outweighed the fall in services activity. New business increased again, and at the quickest rate since September 2018, while export orders rose at the steepest rate on record."*

*"Overall, data highlight a mixed bag for the Italian economy. Positively, the recovery was sustained in spite of restrictions, with services appearing much more resilient than during the spring of last year. Indeed, companies are at their most upbeat on record towards output over the next year, with confidence stemming from hopes of a strong rebound and looser restrictions. But, saying that, optimism was pegged to a successful vaccine rollout, while the downturn in services is a key concern for the economic recovery. With a third wave of infections across Europe prompting even stricter lockdowns, we could see the recovery waver in the short term."*

\*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Italy Composite Output Index is a weighted average of the Italy Manufacturing Output Index and the Italy Services Business Activity Index.

## CONTACT

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### IHS Markit

Lewis Cooper  
Economist  
T: +44-1491-461-019  
[lewis.cooper@ihsmarkit.com](mailto:lewis.cooper@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
T: +44 207 260 2234  
[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

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### Methodology

The IHS Markit Italy Services PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

March 2021 data were collected 12-26 March 2021.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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### About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 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.

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