

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

### Business activity growth moderates slightly at end of first quarter

#### Key findings:

- Slower rises in business activity and new orders in March
- Pace of job creation accelerates to highest since August 2007
- Prices charged fall at slowest rate in over five-and-a-half years

Data collected March 13-28

Italy's services economy ended the first quarter of 2017 on a solid footing, seeing ongoing growth in business activity as well as the steepest rise in employment since August 2007. However, the rate at which both business activity and new orders increased was slightly slower than in February, while future growth forecasts were also pared back.

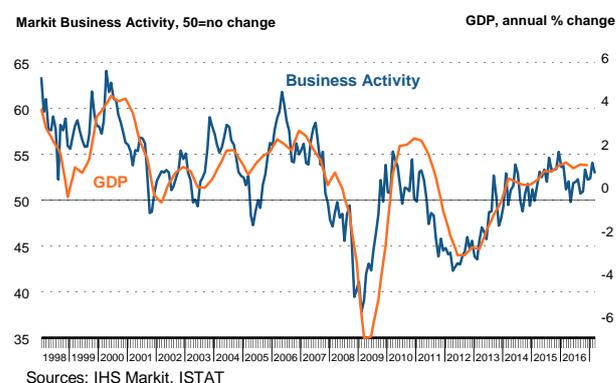
Average prices charged for services, meanwhile, continued to fall despite rising input costs in the sector, though the rate of decline was the slowest in over five-and-a-half years.

At 52.9 in March, down from February's 14-month high of 54.1, the seasonally adjusted headline Markit 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 – pointed to a slower, but still solid, increase in service sector output. The index average over the first quarter as a whole (53.1) was the highest seen since the final quarter of 2015.

Inflows of new work continued to rise at a solid pace, but similar to business activity the rate of growth eased from February's recent peak. Where an increase in order books was recorded, there were mentions of higher interest among clients as well as more orders from abroad.

Service sector employment, meanwhile, rose for the sixth month running in March, and the rate of job creation picked up from the modest pace seen previously to the fastest in nearly a decade. One factor leading firms to expand workforce numbers

#### Markit Italy Services PMI



was sustained pressure on resources, which was evidenced by a sixth straight monthly increase in backlogs of work.

Elsewhere, March data showed a rise in average input costs faced by services firms in Italy, which anecdotal evidence attributed to higher prices paid for energy, raw materials and, in particular, fuel. There were also some mentions of rising staff costs. The overall rate of increase in input prices was slightly faster than in February and solid.

Competitive pressures and efforts to boost incoming new business meant that services firms generally absorbed the burden of higher costs, reflected in a further decrease in average prices charged. That said, the rate of decline in output prices eased to a marginal pace that was the slowest seen for over five-and-a-half years.

Finally, March's survey pointed to a slight dip in service providers' confidence towards the year-ahead outlook for business activity, down from February's 13-month high. Nevertheless, the consensus view was still one of strongly positive growth forecasts, attributed by many to signs of growing market activity.

*Continues...*

**Comment:**

Phil Smith, Economist at IHS Markit which compiles the *Italy Services PMI*® survey, said:

*“Despite a slight loss of momentum in March, it was an altogether positive first quarter for the services economy, underscored by sector job creation running at its highest for almost a decade. Alongside the manufacturing numbers, which showed the strongest improvement in factory business conditions for six years, the PMI data have generally surprised on the upside and point to a healthier rise in GDP in quarter one.”*

-Ends-

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**Notes to Editors:**

The Italy Services PMI® (Purchasing Managers' Index®) is produced by Markit. The report features original survey data collected from a representative panel of around 400 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@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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