

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

Sharpest growth of Italian service sector for ten-and-a-half years

Key findings:

- Activity surges following further notable upturn in demand
- Optimism reaches highest level since May 2011
- Prices charged up for first time in six-and-a-half years

Data collected January 12-26

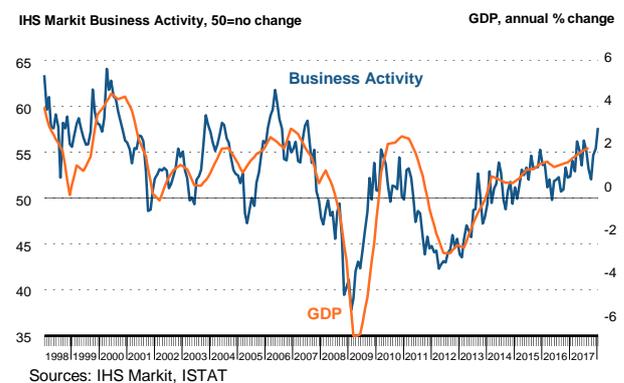
Italy's services economy enjoyed a strong start to 2018, registering another round of strong new business growth which supported the greatest monthly gain in activity for ten-and-a-half years. Optimism subsequently appreciated considerably, and helped to drive a further gain in employment. Faced with rising operating costs, service providers increased their output charges for the first time since July 2011.

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 – recorded a level of 57.7. That was up from 55.4 and the highest reading since July 2007. Growth has also now been registered for 20 months in succession.

January's rapid upturn in business activity was closely linked to a similarly sized increase in incoming new work. Although down on the month, the rate of growth in new business was again sharp and close to December's 11-and-a-half year high. Companies reported that demand was up from both domestic and international clients at the start of 2018.

Continued gains in new work spilt over into the labour market during January, with companies adding to their workforce numbers at a solid rate. Wider company investment and expansion plans also helped to bolster hiring.

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With employment numbers rising at the start of 2018, plus reports of higher unit productivity, backlogs of work were broadly kept under control. Although up for a sixteenth month in succession, the degree to which work outstanding rose was again marginal.

On the price front, average operating costs continued to increase amid evidence of increased energy and fuel prices. There were also reports of higher labour costs.

In response, several service providers increased their average charges, the net result being the first increase in output prices recorded by the survey for six-and-a-half years. That said, competitive pressures ensured that the rate of inflation was marginal.

Finally, optimism surged in January to its highest level since May 2011. Companies were reportedly buoyed by the recent positive trends in output and new work, signalling broad expectations that this will continue over the coming year. Past and current investment should also help to drive sales and activity going forward.

Comment:

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

“The Italian private sector enjoyed a stellar start to 2018 as the services economy joined the manufacturing economy in rapid expansionary mode. Taking both the manufacturing and service sectors together, combined output rose to the strongest degree since June 2006 and was consistent with GDP rising at a rate of around 0.6% q/q at the start of the year.

“Having been a story in recent months of strong international demand for high-end Italian manufactures driving growth, January proved to be the point when domestic demand finally provided a notable uplift to the economy, with service providers enjoying their best month in over a decade.

“This helped to fuel optimism in the services industry and provides a solid platform to move forward in terms of employment and wage gains over the coming months.

“With the international climate increasingly favourable, the ground is set for further near-term economic expansion, although upcoming national elections offer a little uncertainty and potential turbulence for later in the year.”

-Ends-

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Notes to Editors:

The Italy Services PMI® (Purchasing Managers' Index®) is produced by IHS 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.

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.

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