

News Release

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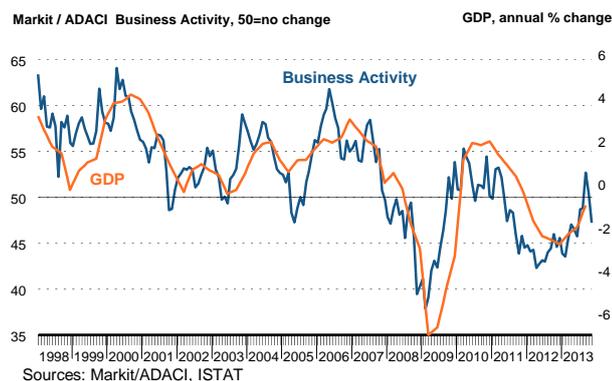
Markit/ADACI Italy Services PMI®

Service sector returns to contraction in November

Key points:

- Business activity falls after two consecutive months of growth
- Fastest decrease in employment since August
- Solid drop in charges

Historical overview:



Summary:

Italy's service sector returned to contraction in November after having recorded growth in business activity in both of the previous two months. Curtailing the recovery was a drop in market demand and an associated fall in new business. Firms, also noting a drop in future expectations in the latest survey, reacted accordingly by upping their rate of job shedding. Meanwhile, input prices rose at the fastest rate in four months, but charges fell solidly.

At 47.2, down from October's reading of 50.5, 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 – pointed to a solid decrease in tertiary output following a marginal expansion one month earlier. Moreover, the pace of decline

signalled by the headline index was the fastest since June.

Underpinning this renewed weakness was a reduction in the level of new business placed with service providers. As was the case with business activity, November's decrease in new work was the first for three months and solid.

With a lack of new business to replenish order books, the level of work-in-hand (both in progress and not yet started) at services firms decreased for a thirty-third consecutive month in November. Moreover, the degree to which backlogs were reduced was much quicker than in the preceding survey period and overall the fastest for a year.

Having less pressure on staffing capacity due to lower workloads led services firms to increase their rate of job shedding in November. Consequently, employment in the sector fell to the greatest extent since August.

November's survey also highlighted a drop in businesses' expectations regarding the year-ahead outlook for business activity, to the lowest since June. That said, firms (on balance) are still confident of activity being higher in 12 months' time than now, citing hopes for a recovery in domestic market demand.

As well as being hit by a downturn in new business in November, the service sector also saw a rise in cost pressures. Average input prices increased at the fastest rate in four months, largely reflective of higher energy bills and an increased tax burden.

Competitive pressures prevented businesses from passing on higher costs to clients, and instead charges were reduced to the greatest extent since July. This extended the current spell of decline in output prices to 28 months.

Continued....

Comment:

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

“November’s renewed decline in service sector activity raises serious doubts over whether Italy will exit from recession in the final quarter, especially given the degree to which activity fell and how new business inflows have also shown considerable weakness. The decrease in business activity all but wiped out the gains made in the previous two months, and represented a marked shift in momentum from the situation only a couple of months earlier when most indicators in the survey were pointing to an impending recovery.

“Anecdotal evidence from panel members highlighted uncertainty as a key factor depressing demand, and among households this looks to have been exacerbated by an increasing lack of job security as services firms continued to up their rate of job shedding.”

-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.

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Purchasing Managers' Index[®] (*PMI*[®]) 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.

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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