

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0945 (CEST) / 0745 (UTC), May 4th 2017

Markit Italy Services PMI®

Business activity growth accelerates to near-decade high

Key findings:

- Strongest rise in services business activity since August 2007
- New orders show sharp and accelerated growth
- Pace of job creation remains solid despite easing from recent high

Data collected April 11-25

Business activity in Italy's service sector increased at the fastest rate for almost a decade in April. The strong growth was driven by rising demand, which also led to the creation of more jobs as capacity pressures intensified.

On the price front, firms continued to trim output charges despite facing a further rise in costs.

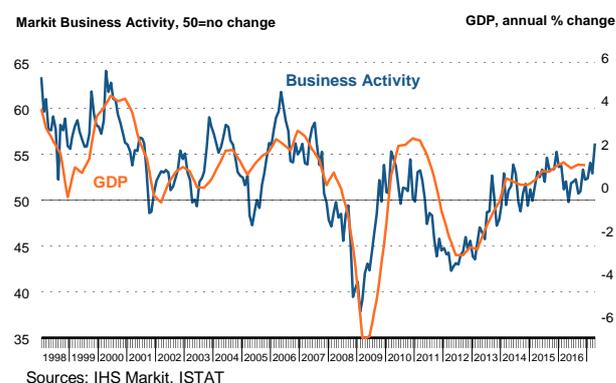
The headline seasonally adjusted Markit Business Activity Index – which is based on a single question asking respondents to report on the actual change in business activity at their companies compared to one month ago – climbed to 56.2 in April, up sharply from 52.9 in March and its highest reading since August 2007. Business activity has now increased for 11 months in a row.

April's survey pointed to stronger underlying demand as being the main driver of the uplift at the start of the second quarter. Order books showed the largest increase for close to ten years.

The surge in incoming new work acted to increase the pressure on operating capacity at service providers, leading to a seventh straight monthly rise in the amount of outstanding orders. Furthermore, April's increase in backlogs was the most marked since March 2010.

Employment continued to grow across the service sector at the start of the second quarter. Despite easing slightly from March's recent peak, the rate of job creation remained solid and was among the fastest seen since the 2007-08 global financial crisis.

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Elsewhere, April data signalled another marginal decrease in average prices charged by Italian service providers, the second-slowest in almost one-and-a-half years behind that seen in March. Output prices in the service sector have fallen (on average) in every month since August 2011.

Businesses meanwhile continued to face rising costs, which they linked to higher prices paid for raw materials and energy, as well as salary pressures. The rate of input cost inflation was at a five-month low, however, and below the long-run trend level.

Service providers remained strongly confident towards the year-ahead outlook, generally expecting a rise in business activity over the next 12 months. The degree of optimism signalled in April was the second-highest in the past year, behind February's recent high.

Continues...

Comment:

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

“Italy’s economy has made a strong start to the second quarter of 2017, building on an already-encouraging first quarter. Following news of a pick-up in manufacturing sector performance, the latest PMI data showed the strongest increase in services business activity for almost a decade in April. The upturn is supporting a decent rate of job creation, which means we should see the unemployment rate fall further in coming months.”

-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.

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