

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

Italian service sector expansion softens during March

Key findings:

- Weakest gains in new work and activity for five months
- Rising workloads nonetheless support further payroll expansion
- Cost pressures weaken; further price discounting signalled

Data collected March 12-26

Italy's service sector suffered a noticeable slowdown in growth during March, with both activity and new work rising at the weakest rates since last October. Employment also rose at a slower pace, in spite of a pick-up in the rate of backlog accumulation.

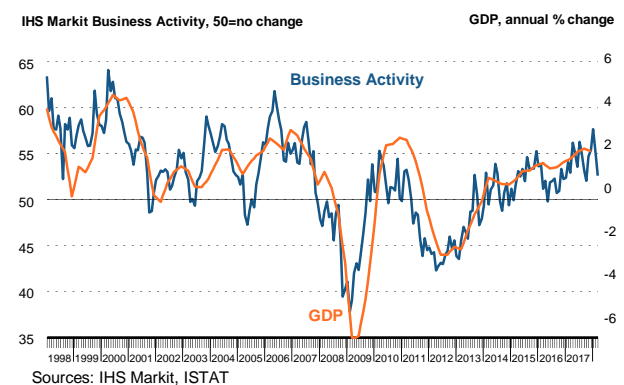
Meanwhile, cost inflation weakened further, whilst competitive pressures led to a decline in prices charged. Business confidence was little changed since the previous month.

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 – came in at a level of 52.6 during March. Down from 55.0 in February, the rate of growth signalled by the index was the weakest for five months.

The weaker gain in activity was closely linked to a similar easing in growth of new work. Panellists commented on a more circumspect attitude amongst clients, with contract decision-making characterised by greater caution and a 'wait-and-see' approach. As with activity, new business rose at a solid pace, but to the slowest degree for five months.

March saw another round of job creation amongst Italian service providers. Growth in employment has now been recorded for 18 months in succession,

IHS Markit Italy Services PMI



although the latest gain was the lowest in just under half-a-year.

Where employment rose, companies reported that efforts to enhance their service offerings, plus rising workloads, had encouraged recruitment. Backlogs of work increased during March for an eighteenth month in a row and to the strongest degree since last August.

Meanwhile, input prices continued to rise during the latest survey period amid reports of higher staff costs and increased energy/fuel bills. However, overall inflation was the lowest recorded by the survey since November 2016.

Output charges fell during March, the second month in succession that a decline has been registered. Competitive pressures and efforts to drum up sales were reported as factors that led to discounting during the month.

Finally, business confidence remained little changed in March amid widespread expectations of an increase in demand and new work over the coming 12 months. In contrast, some concerns over political instability and the potential for slower economic growth weighed on sentiment.

Comment:

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

“Italy’s service sector ended the first quarter on a much softer note, registering its lowest growth since last October amid reports of a more cautious attitude amongst clients and a subsequent slowdown in new work gains.

“With the manufacturing sector suffering a similar slowdown, the Italian private sector is expanding at its weakest rate in over a year although, looking at the first quarter as a whole, the economy should still deliver a noticeable uptick in GDP.

“Looking further out, the picture seems less clear. Growth continues to be held back primarily by underwhelming conditions in the domestic economy, especially on the consumption side, whilst ongoing political instability is adding to the uncertainty around Italy’s future economic performance.”

-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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