

## News Release

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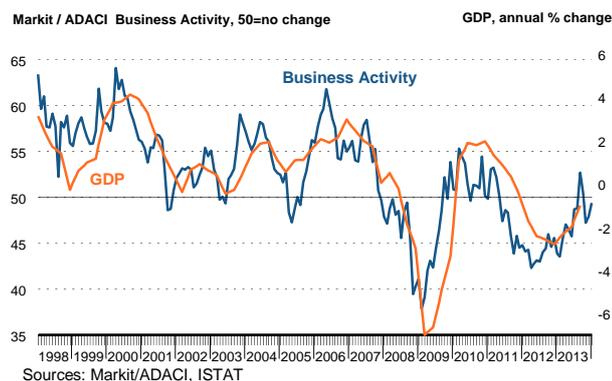
### Markit/ADACI Italy Services PMI®

#### Downturn in service sector business activity slows at start of 2014

##### Key points:

- Slight rise in new work supports level of business activity
- Job losses least marked since October 2011
- Business sentiment improves markedly

##### Historical overview:



##### Summary:

Service sector business activity contracted again at the start of the year, although a rise in new work meant that the rate of decline eased to only a marginal pace. The rate of job shedding in the sector eased accordingly. Another positive development highlighted by January's survey was a notable improvement in businesses' expectations for their performance in the year ahead.

At 49.4 in January, up from December's reading of 47.9, the headline Markit/ADACI Business Activity Index – which is based on a single question asking survey respondents to report on the actual change in business activity at their companies compared to the situation one month ago – pointed to a slower decrease in service sector output, and one that was the weakest in the current three-month sequence of contraction.

Supporting the level of business activity to some extent was an increase in new work. Although only

slight, the expansion was the first in three months and the fastest since September. Despite this growth in new work, January nevertheless saw a further reduction in the amount of outstanding business at services firms. Moreover, the rate at which backlogs were depleted was solid and faster than in the preceding month.

As well as showing a slower fall in business activity, January data also highlighted an easing of the rate of decline in service sector employment. In fact, job losses were the least marked since October 2011.

Companies that did cut their payroll numbers sometimes commented on attempts to limit rising staff costs, a key source of inflationary pressure in January according to panellists. Overall, the rate of cost inflation in the service sector was the slowest since September, having eased for the second month running.

Prices charged by service providers meanwhile decreased for a thirtieth consecutive month amid efforts to boost sales. Accelerating since the preceding survey period, the rate of decline in output prices was solid and faster than the series long-run average.

Finally, January saw a substantial improvement in sentiment among service providers regarding the outlook for business activity in the year ahead. Hopes of increased investment, new products and a general strengthening of demand all helped to boost the level of confidence to the second highest in the past 31 months, just below September's recent peak.

*Continued....*

**Comment:**

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

*“Although activity fell in January, an easing of the rate of decline as well as a slight rise in new work are encouraging signs that the sector is at least stabilising and now less of a drag on overall economic performance. Furthermore, confidence among services firms regarding the year-ahead outlook for activity surged higher at the start of the year, returning to a level close to where it was prior to the recession. The labour market suffered again, however, as firms sought to control costs, though the rate of job shedding slowed in line with the trend in business activity.”*

-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 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@markit.com](mailto:economics@markit.com).

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**About PMI**

*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](http://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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