

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

Rise in services business activity supports employment growth

Key findings:

- Business activity up for eighth month running in January
- Jobs created amid rising workloads
- Firms' costs rise at fastest rate for six months

Data collected January 12-26

Italy's service sector made a positive start to 2017, according to latest *PMI*® survey data, seeing a rise in both business activity and employment. However, despite strengthening demand and growing cost pressures, companies continued to lower prices charged for services.

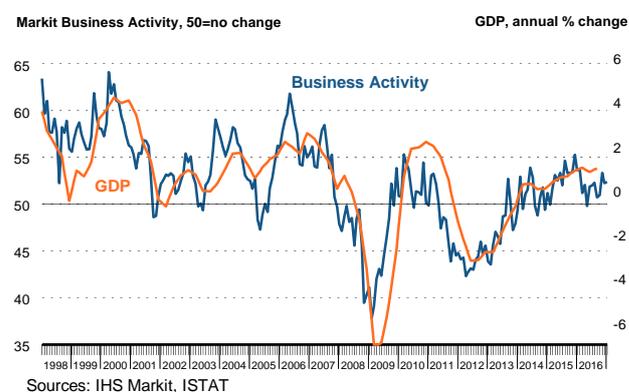
The seasonally adjusted headline Markit Business Activity Index – which is based on a single question asking respondents to report on the actual change in business activity at their companies compared to one month ago – read 52.4 in January, little-changed from December's 52.3 and signalling an eighth consecutive monthly increase in service sector output.

Post & Telecommunications and Renting & Business Activities were the top performing sub-sectors, while Hotels & Restaurants saw the sharpest fall in activity.

Panel member reports pointed to a general strengthening of underlying demand, which was corroborated by the survey data showing a further rise in inflows of new business in the sector. That said, the rate at which order books increased was the slowest seen for three months.

The sector's ongoing growth was reflected in another rise in employment among services companies during January, the fourth month in succession in which an increase in workforce numbers has been recorded. The rate of job creation was faster than in December but only modest overall.

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Concurrently, January's survey showed an increase in the amount of business outstanding in the sector. That marked a fourth straight month of backlog accumulation – the longest sequence since early-2010.

Elsewhere, latest survey data indicated a rise in average costs faced by services companies in Italy. Furthermore, the rate of cost inflation accelerated for the third month running to the strongest seen since July last year. There were reports from panellists of an increase in the costs of advertising, energy, fuel (particularly diesel), personnel and raw materials.

However, belying the increased pressure on operating margins, prices charged continued to fall across the services economy amid reports of strong competition and efforts to secure new work. The rate of decline was faster than in December but slower than the average across 2016 as a whole.

Looking ahead to prospects for business activity in a year's time, latest data showed services firms' confidence at its lowest for four months. That said, companies in general reported being optimistic about the outlook, citing hopes for greater market activity and higher sales to clients outside of Italy.

Continues...

Comment:

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

“The service sector started 2017 by growing at a modest pace, and one that was little-changed from that seen in December. There’s an undercurrent of steadily rising demand, which has been manifested in growing levels of new business and the hiring of staff among the sector’s firms, although the business environment remains highly competitive, resulting in falling prices charged for services.”

-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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