

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

Service sector sees strongest activity growth for 14 months

Key findings:

- Fastest rises in business activity and new work since December 2015
- Pace of job creation remains modest despite growing backlogs of work
- Slower fall in prices charged as costs rise solidly again

Data collected February 10-23

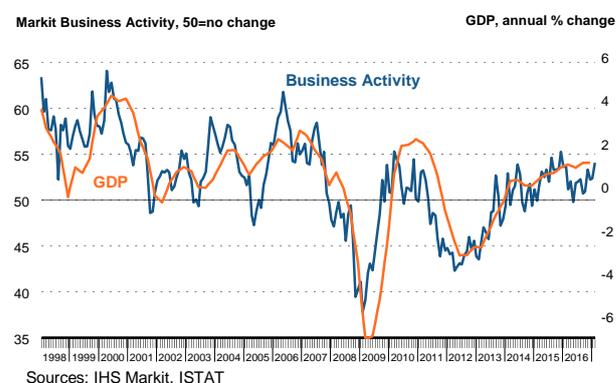
Growth of Italy's service sector picked up in February, with both business activity and new orders rising at the fastest rates since December 2015. Companies' confidence towards the year-ahead outlook also improved, though the rate of job creation was maintained at the same modest pace seen in January. Elsewhere, firms continued to lower their output charges despite being faced with rising costs, though the extent of the discounting in February was only marginal.

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 – registered 54.1 in February, up from January's 52.4 and signalling the strongest growth in service sector output for 14 months.

Anecdotal evidence and data alike pointed to a strengthening of underlying demand in the sector, with panel member reports highlighting greater interest among clients, and firms' order books showing the sharpest monthly increase since December 2015.

The amount of outstanding business among services firms continued to build during February, the fifth month in a row in which this has been the case. Although only modest, the rate at which backlogs of work accumulated was the second-fastest seen for one-and-a-half years.

Markit Italy Services PMI



Higher workloads encouraged services firms to take on new hires, marking five straight months of sector employment growth. That said, the rate of job creation was only modest and unchanged from that recorded during the opening month of the year.

This relatively subdued trend in employment belied a rebound in companies' optimism towards the year-ahead outlook for business activity, which after having fallen to a four-month low in January recovered to the highest for over a year in the latest survey period. A number of panellists attributed their optimism to signs of more market movement and a positive underlying trend in activity.

On the price front, service providers recorded a rise in average input costs in February, linked in part to increasing fuel and raw material prices. The overall rate of cost inflation eased slightly from January's six-month high but remained above the average for 2016.

Strong competition and efforts to secure new business meant that, instead of passing on the burden of higher costs to clients, services firms continued to reduce their average prices charged during the month. However, the rate of decline in output prices was only marginal and the weakest since December 2015.

Continues...

Comment:

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

“The Italian economy has shown good resilience in the opening quarter so far according to the PMI surveys, which could mean a surprise on the upside for growth. The headline services figure moved to its highest for level for 14 months in February, as was the case for the equivalent manufacturing index.

“Businesses are continuing to create jobs, though the pace of employment growth in the service sector remains weak, which is disappointing given the high unemployment rate and that the survey indicated a rebound in business confidence.”

-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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