

S&P Global Italy Services PMI[®]

First drop in services activity in 16 months amid signs of demand faltering

March 2026

Fresh declines in output and new business

Highest rate of cost inflation in over three years, driving a steeper hike in charges

Confidence among weakest in more than five years

The Italian service sector fell into decline in March, as demand contracted in both domestic and external markets.

Prices data pointed towards an intensification of costs, most of which was absorbed by firms, as charge inflation picked up but to a much smaller extent. The growth trend seen in employment which spanned over a year broadly stalled, and confidence deteriorated.

The headline S&P Global Italy Services PMI[®] Business Activity Index is based on a single question asking how the level of business activity compares with the situation the month before. A reading above 50.0 signals expansion, and the further above 50.0 the faster the rate of growth signalled.

At 48.8 in March, the headline Business Activity Index retreated below the crucial 50.0 mark, ending a fifteen month trend of uninterrupted expansion. Down from 52.3 in February, the latest reading signalled a modest decline in output and one that was just the second since the end of 2023.

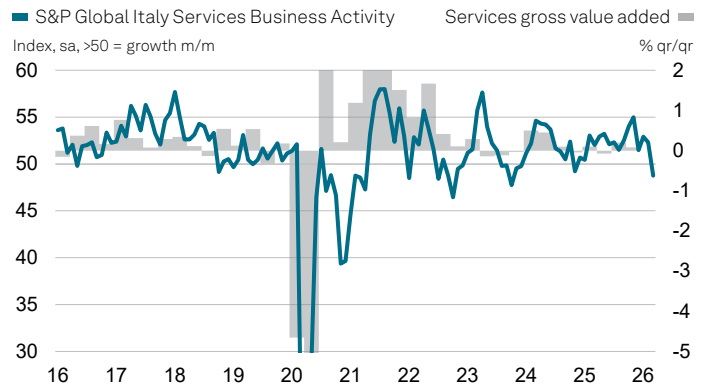
Among the drivers of reduced activity cited by panellists were fewer events following the Winter Olympics, generally soft demand conditions and raised international uncertainty.

Granular data showed that sustained growth in information technology & communication and to a lesser degree transportation cushioned the overall decline in output, however.

Indeed, there was a fresh contraction in overall new business in March. The reduction in sales was the first in over a year, which panellists linked to the end of the Olympics, uncertainty due to war in the Middle East and increased competition. The rate of decline was the fastest seen since November 2024, albeit only modest in nature.

Matching the trend for total new orders, business received from abroad likewise fell at a modest rate in March. The drop in export sales marked was the fourth in five months, however.

Italian service providers pulled back their recruitment activity in March, and employment levels were broadly unchanged from February. Any signs of hiring were largely



Data were collected 12-26 March 2026.

Sources: S&P Global PMI, ISTAT via S&P Global Market Intelligence. © 2026 S&P Global

Comment

Eleanor Dennison, Economist at S&P Global Market Intelligence:

"The Italian services economy showed signs of fragility in March, as challenging external conditions due to war in the Middle East weighed on demand and activity. The sector contracted at the strongest pace in nearly two-and-a-half years, marking just the fourth monthly fall in output seen over this period.

"Hikes to fuel, energy, raw material as well as wage costs placed additional pressure on operating expenses, with the rate of input price inflation soaring to its highest in over three years. With companies pushed to raise their own charges to protect margins, the outlook for future demand appears more difficult to navigate.

"Although at the top level, March appeared to be a challenging month for Italian service sector firms, there were some glimmers of resilience beneath the surface. Even against a backdrop of uncertainty, growth was recorded across two of the five monitored sectors."

outweighed by dismissals elsewhere. Meanwhile, the latest data pointed to an accumulation in outstanding business for just the second time in two-and-a-half years. A number of panel members linked this building of backlogs to bureaucratic processing delays.

Reflective of higher wage costs and increased raw material, energy and fuel prices (which were largely pushed up as a result of war in the Middle East), cost pressures facing Italian service providers intensified in March. The rate of cost inflation surged to a more than three-year high and was substantial overall.

Although firms were more aggressive in their own price setting in an attempt to recover some of the increase in cost burdens, the rate of charge inflation accelerated to a lesser degree than input prices. It was, however, solid and the strongest in almost two years.

Despite firms taking a positive stance when asked about their expectations for activity over the coming year, confidence dropped to a seven-month low. The reading was also among the weakest in over five years. The prospect of a challenging economic environment to come and uncertainty linked to the Middle East war reportedly clouded the outlook.

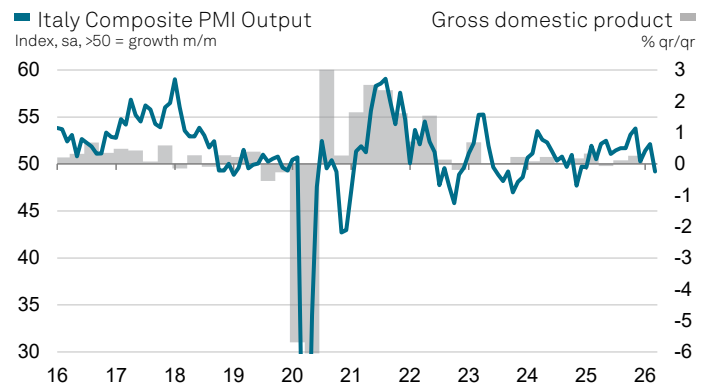
S&P Global Italy Composite PMI®

First contraction of Italian economy since start of 2025

Down from 52.1 in February, the S&P Global Italy Composite PMI Output Index dropped into contraction, posting at 49.2 in March. The reading marked the steepest drop in over a year, led by a renewed fall in services activity and amid a softer expansion in manufacturing output.

As similar trend was true for new orders, which likewise recorded a fresh contraction in March. Meanwhile, private sector employment growth largely stalled, and backlogs were stable.

With regards to prices, inflation of input costs and output charges accelerated to 40- and 37- month highs, respectively.



Sources: S&P Global PMI, ISTAT via S&P Global Market Intelligence. © 2026 S&P Global

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Methodology

The S&P Global Italy Services PMI® is compiled by S&P Global from responses to questionnaires sent to a panel of around 450 service sector companies.

The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in January 1998.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

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