

News Release

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S&P Global Italy Services PMI[®]

Services activity rises fractionally in August

Key findings

Return to growth signalled

Inflows of new business broadly stable

Business confidence sinks to 21-month low

The Italian service sector recorded an increase in business activity during August, according to the latest PMI[®] data, with output across the sector rising fractionally following a marginal decrease in July. Demand conditions remained subdued overall, although total inflows of new work broadly stable on the month, despite a reduction in new work from abroad.

The challenging business environment in addition to recession fears and concerns around inflationary pressures was reflected in a further moderation of business confidence at firms in August. The level of positive sentiment was the weakest since November 2020.

The seasonally adjusted S&P Global Italy Services PMI Business Activity Index registered 50.5 in August, up from 48.4 in July, to signal a renewed uplift in services activity, albeit one that was only fractional overall. According to respondents, the dissipating impact of the COVID-19 pandemic helped to raise activity levels.

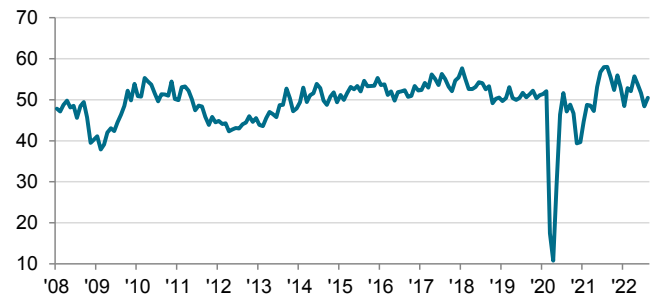
Elsewhere, volumes of new work were broadly stable on the month following a mild decrease in June, with the respective seasonally adjusted index posting just below the neutral mark of 50.0. Some firms reported improved sales due to the easing of pandemic measures, though others noted that a poor economic outlook had continued to weigh on demand conditions.

Inflows of new business from abroad declined for the first time since March, however, amid reports of weak client demand, particularly in other European markets.

With new business broadly stagnant, firms recorded a further fall in the level of work in hand (but not yet completed) during August, extending the current sequence of decrease to three months. That said, the rate of reduction in outstanding business slowed on the month and was marginal overall.

Nonetheless, Italian services firms continued to expand their

S&P Global Italy Services Business Activity Index
sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 12-25 August 2022.

Comment

Lewis Cooper, Economist at S&P Global Market Intelligence, said:

"Italy's service sector recorded a rise in activity during August, with the respective seasonally adjusted index edging above the neutral level of 50.0. Market conditions remained subdued however. New export business declined for the first time since March, though a better domestic performance saw total new business broadly stabilise following a decline in July.

"The return to growth for services activity, combined with a slower contraction in factory production helped to stem the downturn at the composite level, though Italian private sector output declined for the second month in a row.

"Positive news again came with regards to inflation as the pace of input cost and charge inflation eased further, but nonetheless remained elevated by historical standards.

"The challenging environment facing firms, combined with fears of a recession and concerns around inflationary pressures was reflected in a subdued level of business confidence. Despite ticking up since July, sentiment within the private sector was amongst the weakest on record."

PMI[®]

by S&P Global

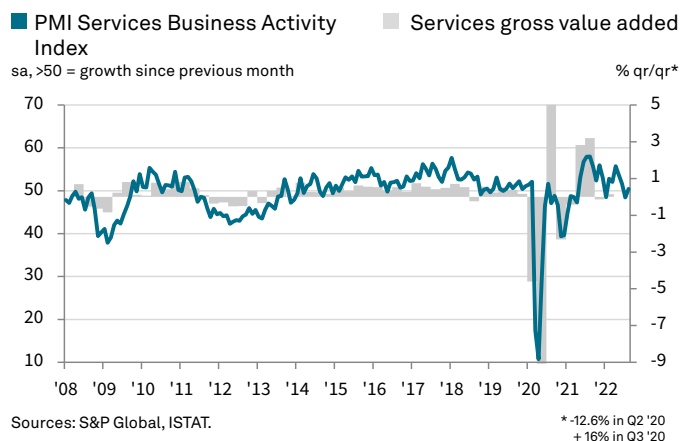
workforce numbers during August, as has been the case in each month since May 2021. Notably, the rate of job creation slowed to a six-month low and was only mild overall.

Turning to prices, inflationary pressures continued to ease during August.

Average costs faced by Italian service providers rose for the twenty-seventh month in a row, amid reports of greater energy, staff, fuel and transport costs. The pace of cost inflation slowed to the weakest since December 2021, but was still the eighth quickest on record.

In response to higher costs, services firms again raised their average charges in the middle of the third quarter. Anecdotal evidence overwhelmingly linked the latest uplift to the passthrough of higher input costs to clients. Notably, the pace of inflation slowed to a six-month low, albeit still sharp by historical standards.

Finally, August data pointed to a further moderation in confidence amongst Italian services firms towards the year-ahead outlook for business activity. Although still positive overall, the level of sentiment sunk to a 21-month low. Panellists cited recession fears, the war in Ukraine and inflationary pressures as weighing heavily on the outlook.



S&P Global Italy Composite PMI®

Private sector output falls further, but pace of decline eases

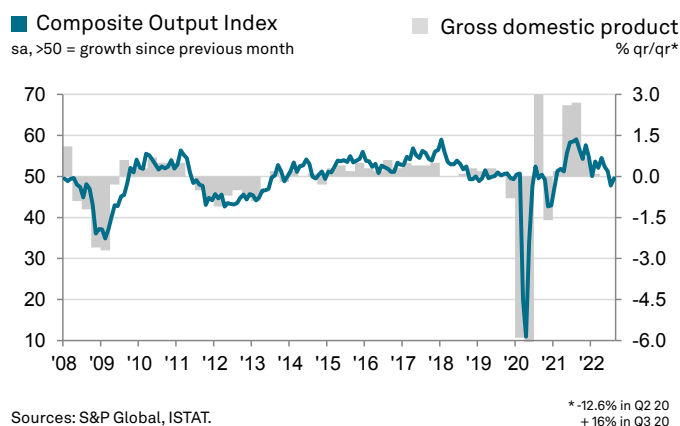
The S&P Global Italy Composite PMI Output Index* remained below the neutral level of 50.0 in August to signal a back-to-back decline in Italian private sector output. Rising from 47.7 in July to 49.6 in August, the latest figure signalled a slower pace of contraction, however, and one that was only fractional overall.

At the sector level, a slight rise in services activity and a slower fall in factory production helped to stem the overall reduction.

Elsewhere, new orders decreased further, albeit with the fall easing to a marginal pace. Reduced workloads were reflected in a third consecutive monthly decline in backlogs of work, while the rate of job creation eased to the slowest in the current 16-month sequence.

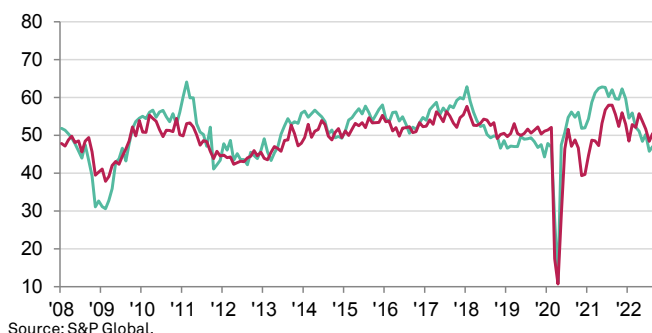
Turning to prices, rates of both cost and charge inflation eased further, with the slowdown broad-based across sectors.

Finally, business confidence remained historically subdued.



*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

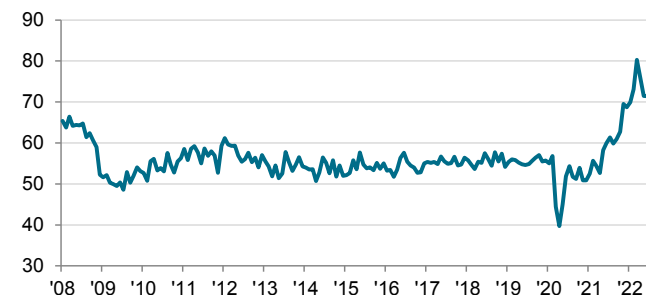
■ Manufacturing PMI Output Index
■ Services PMI Business Activity Index
 sa, >50 = growth since previous month



Source: S&P Global.

Italy Services PMI Input Prices Index

sa, >50 = inflation since previous month



Source: S&P Global.

Survey methodology

The S&P Global Italy Services PMI® is compiled by S&P Global from responses to questionnaires sent to a panel of around 400 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@ihsmarkit.com.

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About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 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. ihsmarkit.com/products/pmi.html.

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Contact

Lewis Cooper
 Economist
 S&P Global Market Intelligence
 T: +44-1491-461-019
lewis.cooper@spglobal.com

Sabrina Mayeen
 Corporate Communications
 S&P Global Market Intelligence
 T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

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