

News Release

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S&P Global Italy Services PMI[®]

Business activity stabilises amid marginal rise in demand

Key findings

Activity little changed following three months of decline

First uplift in new business since June

Job creation sustained

The Italian services sector registered broadly stable business activity in December, according to the latest PMI[®] data, amid the first expansion in new work since June. According to panellists, stronger client demand was the main driver of new business growth.

Nonetheless, higher new business failed to test capacity, as the level of work in hand (but not yet completed) by services firms declined further and at a slightly faster pace. Firms continued to take on additional staff, as confidence about the future remained in positive territory. Price indices meanwhile shifted lower.

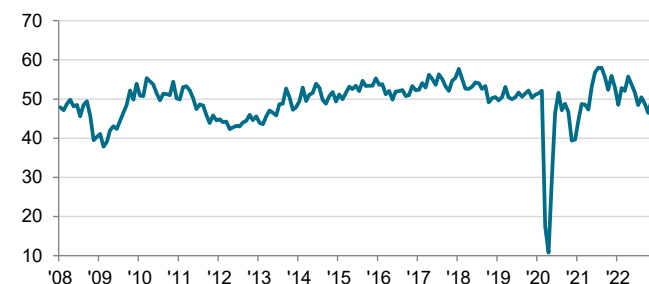
The seasonally adjusted S&P Global Italy Services PMI Business Activity Index rose from 49.5 in November to 49.9 in December, only just below the neutral level of 50.0 and indicative of little change in activity. The final reading of the index for 2022 was also the highest seen since August, when growth of the sector was last recorded.

December's survey indicated a return to growth of inflows of new work for the first time since June. There were some reports of improved client demand, although market conditions remain challenging: the rate of increase in new business was only fractional overall, and growth came solely from domestic markets in December. Latest data showed that inflows of new work from abroad decreased for the fifth month running.

Despite the renewed uplift in sales, December data pointed to sufficient capacity at Italian service providers, as evidenced by a sixth fall in outstanding business in seven months. Lower sales earlier in the year allowed resources to be utilised to work on existing contracts, according to panellists.

Moreover, capacity was further enhanced by services firms taking on additional staff at the end of 2022, extending the current sequence of growth to 20 months. That said, the pace of job creation was modest and the weakest of the final

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



Source: S&P Global.
Data were collected 06-20 December 2022.

Comment

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

"Italy's service sector registered broadly stable activity levels in December, with the respective seasonally adjusted index posting only a hair below the 50.0 no-change mark."

"Notably, inflows of new business rose for the first time since June, amid reports of improved client demand, though gains came primarily from the domestic market as new export work declined sharply. Elsewhere, the final month of the year highlighted ongoing spare capacity, as outstanding business fell again, linked to lower sales in prior months."

"Whilst the improvement in demand provided welcome news following a challenging fourth quarter of 2022 for the services sector, at this still weak level of growth - and combined with sustained weakness in manufacturing - the Italian economy is still clearly facing challenges as we enter 2023."

PMI[®]

by S&P Global

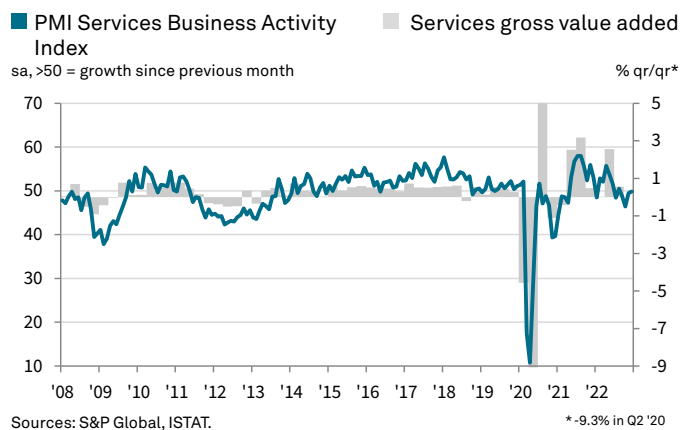
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quarter of the year.

Average costs faced by Italian services firms increased again, as has been the case in each month since June 2020. The latest uplift was attributed by panellists to greater fuel, commodity, energy and material costs. However, the rate of increase slowed for the third month running to the softest for over a year, albeit still marked overall.

Similarly, average charges levied by Italian service producers rose further in December, stretching the current sequence of increase to 15 months. The rate of inflation eased since November, though was still amongst the sharpest on record.

Looking ahead, Italian service providers remained, on average, optimistic towards the year-ahead outlook for business activity in December. Confidence was linked through anecdotal evidence to hopes of a sustained rebound in demand. However, the Future Activity Index fell since November to signal a weaker degree of sentiment that remained below the long-run series average.



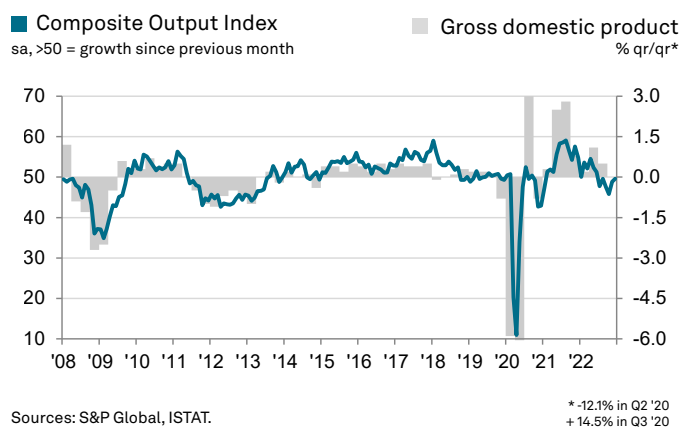
S&P Global Italy Composite PMI®

Output declines at slowest pace in current six-month sequence

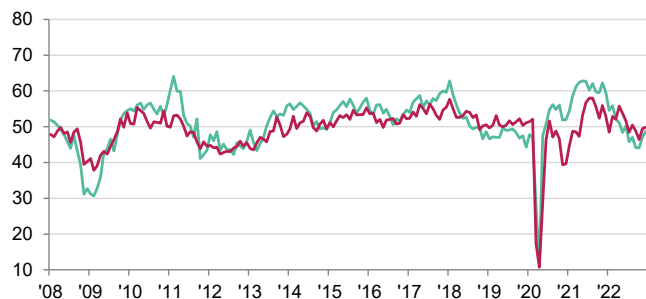
The S&P Global Italy Composite PMI Output Index* posted below the 50.0 mark in December to signal a sixth consecutive monthly contraction in private sector output. That said, rising from 48.9 in November to 49.6 in December, the latest figure signalled the slowest fall in the aforementioned sequence. A similar trend was observed for new work, which declined again, albeit at the weakest pace in the current six-month run and only marginally overall. Inflows of new work from abroad meanwhile fell sharply.

Elsewhere, the level of outstanding business continued to fall in December, as has been the case in each month since June. The pace of decline was mild. Nonetheless, firms continued to take on additional staff in December. The rate of job creation eased to a three-month low, however.

On the price front, rates of both cost and charge inflation slowed in December. The rate of increase in input costs was the slowest since May 2021, while that for average charges was the weakest for four months.



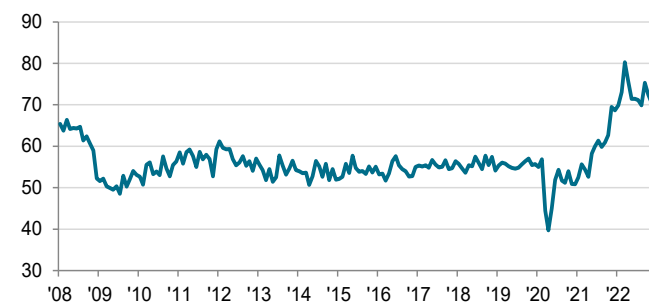
■ Manufacturing PMI Output Index
■ Services PMI Business Activity Index
 sa, >50 = growth since previous month



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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