

Embargoed until 0945 CET (0845 UTC) 03 December 2020

IHS MARKIT ITALY SERVICES PMI®

INCLUDING IHS MARKIT ITALY COMPOSITE PMI®

Services output declines at quickest rate since May

KEY FINDINGS

Headline Business Activity Index falls to six-month low

Reduction in new business quickens to marked pace

Job cuts most widespread since June

Data were collected 12- 25 November 2020.

The downturn in the Italian services sector worsened in November, according to the latest PMI® data. Business activity declined at the quickest rate since May amid a marked contraction in the level of new business, as the negative impact on demand stemming from the coronavirus disease 2019 (COVID-19) pandemic and stricter lockdown measures hit the sector. As a result, firms continued to cut jobs, with the latest reduction the quickest since June and sharp overall.

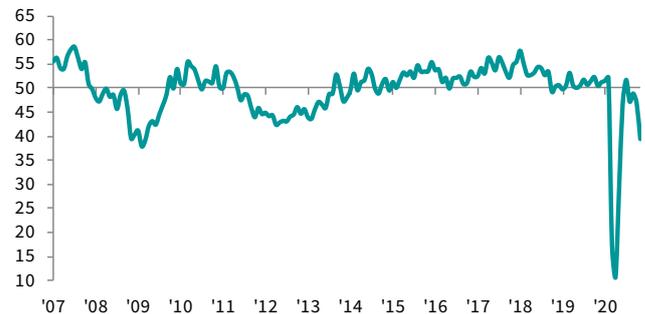
The headline index from the report, the seasonally adjusted Business Activity Index – which is based on a single question asking respondents to report on the actual change in business activity at their companies compared to one month ago – fell from 46.7 in October to a six-month low of 39.4 in November and signalled a rapid reduction in Italian service sector output. The latest decline was not as severe as those seen at the height of the pandemic in the spring, however.

A noticeably faster drop in total new business was central to the latest contraction. Order book volumes fell for the ninth month running, with the latest decline the fastest since May. According to panellists, stricter COVID-19 lockdown measures had stifled client demand. New export orders also declined, with the rate of contraction the most marked for five months.

Amid reports of redundancies, linked in turn to weak sales, Italian services firms made further cuts to their workforce

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

numbers during November. The rate of job shedding was the fastest since June and sharp. Nonetheless, November data provided further signs of weak capacity pressures, as backlogs of work declined at the quickest rate for six months.

Turning to prices, inflationary pressures eased noticeably in November. Cost burdens facing Italian service providers rose again, but the rate of input price inflation was the slowest in the current six-month sequence.

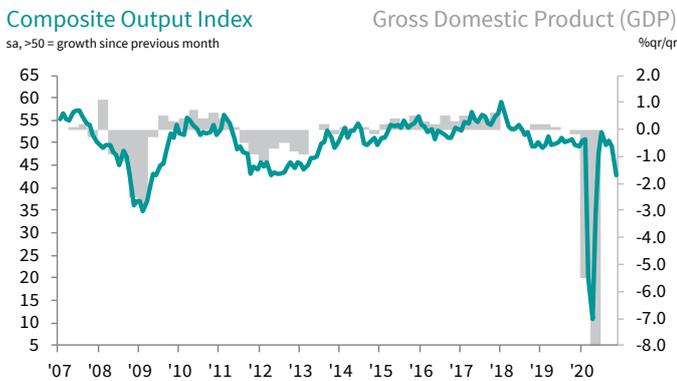
With demand conditions weak, firms continued their discounting efforts. Average charges declined at a quicker rate than in October and sharply overall.

Looking ahead, firms registered improved expectations with regards to activity in the coming 12 months, compared to October. Over two-fifths of respondents expect output to be higher by November 2021, with anecdotal evidence linking confidence to hopes of an end to the pandemic and a global economic recovery.

That said, business confidence remained subdued in the context of historical data, amid widespread concerns regarding the damage that stricter lockdown measures and the longevity of the pandemic as a whole is having on the economy.

IHS MARKIT ITALY COMPOSITE PMI®

Output falls at quickest rate since May



The Composite Output Index* fell from 49.2 in October to 42.7 in November to signal the fastest reduction in Italian private sector output since May. At the sector level, services firms recorded a marked drop of activity which outweighed a mild uptick in factory production.

Central to the decline was a noticeably quicker drop in new orders during November. The latest reduction in order book volumes was the fastest for six months and marked. The contraction was broad-based at the sector level, although service providers saw a much quicker rate of decline.

Subsequently, Italian private sector companies made further job cuts in November, with the rate of reduction the quickest since July and sharp. Nonetheless, the level of outstanding business fell again, with backlog depletion the sharpest for six months.

Meanwhile, cost burdens rose further, although the rate of input price inflation eased slightly from October. Private sector firms continued to discount their average charges, however. The rate of deflation was unchanged on the month and solid overall.

Finally, the year ahead outlook for activity picked up in November, although the level of positive sentiment remained subdued in the context of historical data.

COMMENT

Commenting on the PMI data, Lewis Cooper, Economist at IHS Markit said:

"The Italian services sector remained mired in a downturn during November. Services output declined at the fastest pace since May amid a marked drop in new business, as stricter COVID-19 related measures took their toll on client demand."

"Subsequently, job cuts continued into November and were the most widespread since June, with the latest round of job shedding attributed to the pandemic."

"The service segment continued to drag on overall private sector performance, as the marked drop in activity outweighed a mild uptick in manufacturing production. As a result, private sector output fell at the sharpest rate for six months."

"The latest data will not come as much of a surprise, however, due to the imposition of more stringent lockdown measures, which tend to have a greater impact on service providers. Once restrictions are loosened, client demand can be revived again; indeed, firms remain confident that output will rise over the next year, with positive news regarding a vaccine and hopes of an economic rebound at the forefront of greater confidence."

**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. The Italy Composite Output Index is a weighted average of the Italy Manufacturing Output Index and the Italy Services Business Activity Index.*

CONTACT

IHS Markit

Lewis Cooper
Economist
T: +44-1491-461-019
lewis.cooper@ihsmarkit.com

Katherine Smith
Corporate Communications
T: +1-781-301-9311
katherine.smith@ihsmarkit.com

Methodology

The IHS Markit Italy Services PMI® is compiled by IHS Markit 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.

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.

November 2020 data were collected 12- 25 November 2020.

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

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

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

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, click here.