

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Italy Services PMI®

Italian services economy sustains growth path in July

Key findings:

Activity rises at modest pace

Overall new business remained propped up by domestic demand

Future outlook brightens, but jobs growth slows

Data were collected 10-28 July 2025.

Latest HCOB PMI® data highlighted that the Italian services economy was again buoyed by domestic demand, amid sustained weakness in export sales. The sector also gained growth momentum in July, with activity up at a slightly sharper rate than in June. In addition, sentiment regarding the year-ahead outlook was its highest since last October.

Although cost pressures remained robust, the rate of inflation retreated further in July. Firms were able to raise their charges at a stronger pace, however, as companies sought to protect profit margins.

The **HCOB Italy Services PMI® Business Activity Index** ticked up slightly from 52.1 in June to 52.3 in July. The reading remained consistent with the sector growing at a moderate pace that was stronger than the historic series average.

Panellists noted that increased volumes of new work, in part linked to new clients and the commencement of projects, had contributed to activity growth.

Indeed, total new business placed at Italian services firms rose again in July, which respondents attributed to an improved sales performance and marketing efforts. Though signalling the sixth consecutive month of expansion, the rate of growth in new work was only marginal and the softest over this period. It was broadly in line with the series average, however.

Underlying data revealed that the services demand stability remained centred on the domestic market, as new export business declined in July. Panellists reported fragility in demand conditions internationally. The trend of reduction was stretched to exactly one year. Although the rate of contraction in international orders was softer than in June, it remained elevated by historical standards.

Service providers in Italy responded to an overall positive inflow of new business by adding to their payroll numbers at the start of the third quarter. Matching that of new orders, the upward trend for job creation was extended to six months. Panel member reports suggested that long-standing vacancies had been filled. The rate of workforce expansion was slightly less marked than in June, though it remained stronger than the historical average.

There was just a fractional change in the volume of outstanding business in July, with backlogs of work falling slightly again.

Turning to prices, while the latest data signalled that services companies in Italy paid more for their inputs, the rate of inflation was noticeably softer than earlier in the year. In fact, cost pressures were at their coolest since last November. The pace of increase was still robust, however, amid reports of increased raw material prices, as well as greater wage, services and fuel costs.

Reflecting firms' attempts to pass-through increased costs to clients, prices charged also rose in July. Although the rate of output price inflation reached a 15-month high, it was noticeably softer than that of input prices.

Finally, with the service sector retaining its growth path, firms remained confident that activity levels would rise over the coming year. New clients and projects, as well as hopes for better macroeconomic conditions underscored positive sentiment, according to panellists. The level of confidence improved for the third month running and was its strongest since last October, though it was still historically subdued.

Comment

Commenting on the PMI data, Nils Müller, Junior Economist at Hamburg Commercial Bank, said:

"Italy's services sector extended its growth streak into July, with the headline HCOB Services PMI inching up to 52.3 from 52.1 in June. This modest acceleration reflects a sector that remains resilient, underpinned by steady domestic demand and a cautiously improving outlook. Business activity rose for the eighth consecutive month, with surveyed firms reporting new client wins and the launch of fresh projects. However, the pace of new business growth softened to its weakest in six months, suggesting that while the recovery continues, it is becoming more measured."

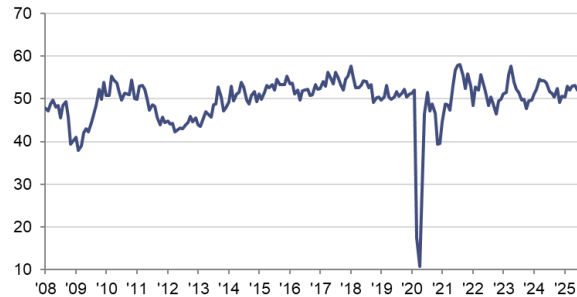
"The divergence between domestic and international demand persisted. While local sales held firm, new export business declined for the twelfth straight month, reflecting ongoing fragility in global demand. Nonetheless, the rate of contraction in foreign orders eased slightly, hinting at a possible bottoming out. Employment growth, though still above the historical average, lost some momentum as firms focused on filling existing vacancies rather than expanding headcount aggressively."

"On the price front, input cost inflation cooled to its lowest level since November 2024, despite continued upward pressure from wages, fuel and services. This easing in cost pressures gave firms some breathing room. Meanwhile, output prices rose at the fastest pace in over a year. The move suggests a renewed effort to defend margins, even as consumer price sensitivity remains a concern."

"The July PMI data arrives alongside a disappointing Q2 GDP print, with Italy's economy contracting by 0.1% quarter-on-quarter, against expectations of a modest expansion. While services remain a source of relative strength, the manufacturing PMI stayed in contraction territory. Taken together, the data point to a fragile growth environment heading into the second half of the year."

HCOB Italy Services PMI Business Activity Index

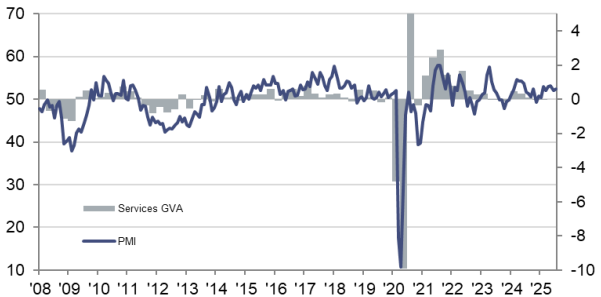
sa, > 50 = growth since previous month



Sources: HCOB, S&P Global PMI.

Services PMI Business Activity Index

sa, > 50 = growth since previous month



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

HCOB Italy Composite PMI[®]

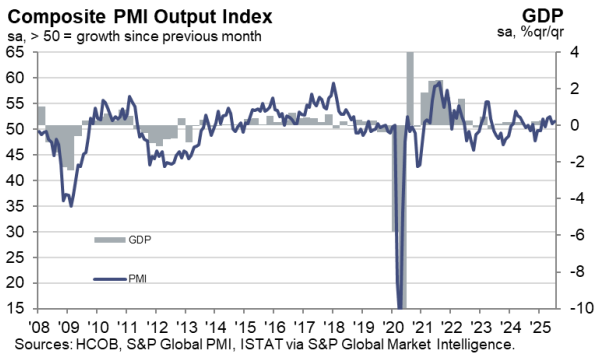
Italian private sector regains growth momentum in July

The **HCOB Italy Composite PMI Output Index** ticked up from 51.1 in June to 51.5 in the latest survey period. The expansion remained centred on the services economy, amid a sustained drop in manufacturing output. This divergence was also apparent in the trend for new orders. Overall, new order inflows grew only marginally, however.

Although there was a sustained decline in new export sales at the composite level, the rate of decline lost momentum in July. Across both broad sectors, new export orders decreased to less marked degrees than in June.

Private sector employment increased at a modest, but slightly softer, pace in at the start of the third quarter. This coincided with a further broad-based decrease in outstanding business. The rate of depletion was more prominent in the manufacturing sector.

Meanwhile, overall output price inflation hit a 15-month high in July, despite cost pressures rising at the softest rate since November last year.



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Note to Editors

The HCOB 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@spglobal.com.

Hamburg Commercial Bank AG

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