

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Italy Services PMI[®]

Improvement in Italian service sector performance gains momentum

Key findings:

Faster rises recorded for activity and new business

Increased jobs growth facilitates backlog depletion

Inflationary pressures remain stubbornly elevated

Data were collected 12-26 February 2024.

February survey data saw the Italian service sector economy growth trend sustained, supported by a further rise in the level of new business. With companies securing an increase in new work, activity rose at the joint-fastest rate for nine months (equal with last June).

The improvement in demand conditions fuelled job creation, which in turn provided firms with additional capacity to work through outstanding business.

Meanwhile, price pressures faced by service providers were persistent and sharp, resulting in a solid increase in selling charges.

The headline index from the report, the **HCOB Italy Services PMI[®] Business Activity Index**, rose from 51.2 in January to 52.2 in February. This thereby marked the second increase in service sector output across Italy in successive months. Though only moderate, the latest upturn was the joint-quickest in nine months, equal with that of June last year.

Moreover, the increase in activity reflected a combination of new client introductions and also a rise in demand across the Italian service sector economy, according to panellists.

Similarly, the new client influx supported a further increase in new business placed at firms in February. Some firms also mentioned that, in general, interest surrounding their services had picked up. Overall, the rate of increase was solid and the fastest for nine months.

Meanwhile, companies reported a stabilisation in new work from abroad, having registered declines in the previous six months. This therefore implies that any improvement in total new business stems largely from domestic markets, given no-change in new export business on the month.

Looking ahead, the 12-month outlook for activity signalled greater optimism among Italian service providers in February. The degree of positive sentiment reached its highest since April 2022. Survey respondents noted investment plans, new projects and attracting new clients as the key drivers of confidence. That said, business expectations failed to exceed the historic average, with some firms concerned about the economic and geopolitical climate.

Nonetheless, the uplift in confidence fed into firm's hiring decisions in February, as workforce levels across the Italian service sector were raised for a fourth month in a row, and at an accelerated pace. Overall, the rate of jobs growth was the quickest since last May and moderate overall.

As a result, companies were able to reduce the level of outstanding work in February, thereby marking a fifth consecutive monthly decline. The rate at which backlogged work was depleted was only marginal, however.

Finally, on the price front, inflation related to operating expenses remained elevated midway through the opening quarter of the year. The latest uptick in costs edged further above the historic average and was the fastest in five months. Greater fuel, utility, raw material and salary costs were among those mentioned by firms as driver of inflation.

In response, companies were more aggressive in their price setting. Selling prices were inflated further and at the joint-quickest rate in a year (equal with last April).

Comment

Commenting on the final PMI data, Dr Tariq Kamal Chaudhry, Economist at Hamburg Commercial Bank, said:

“Italy’s service sector is picking up steam. The HCOB PMI for business activity climbed by a point to 52.2 in February. According to our HCOB Nowcast, which includes the HCOB PMIs, Italy is experiencing above-average eurozone economic dynamics, but the services sector appears to be a beacon of hope within this context.

“The Italian services sector is standing firm on solid ground. Alongside steady growth in overall new orders, there’s now a gentle push from overseas. The overall boost in demand, in turn, is reflected in the robust employment situation in the country, which saw further improvement compared to the previous month.

“The uptick in orders isn’t quite robust enough to stack up backlogs; existing deals are still dwindling. On top of that, service sector companies are still grappling with steep prices. Indeed, one silver lining amid the challenging inflationary environment is that service providers have managed to narrow the gap between input prices and the prices they charge.

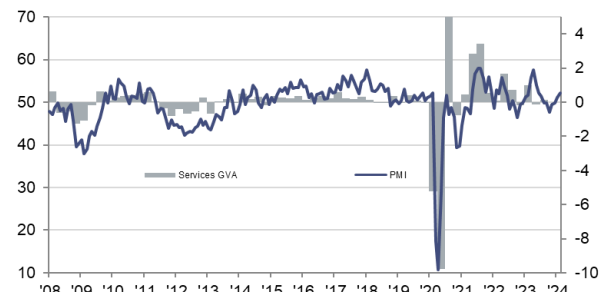
“The long-term growth outlook for the service sector is uncertain. While the index for future activity is clearly in the growth zone, it still lags behind the historical average, signalling a rather muted view on the future. Surveyed companies remain concerned, in particular, about economic and geopolitical prospects.”

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.

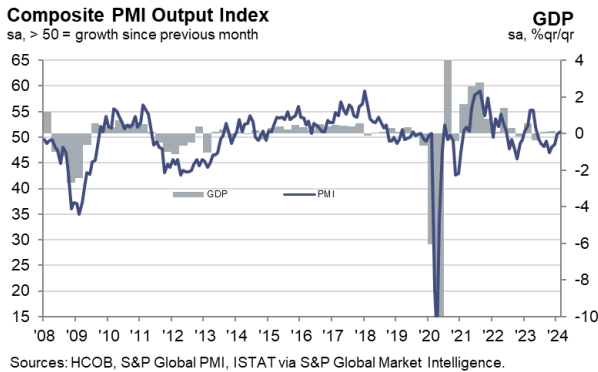
HCOB Italy Composite PMI[®]

Private sector activity growth sustained in February

Posting 51.1 in February, the **HCOB Italy Composite PMI Output Index*** picked up from 50.7 in January, and continued to signal a marginal rise in output across the Italian private sector. The sectoral divergence deepened, however, as the manufacturing sector fell further into negative territory, and services activity rose at a faster rate.

A similar picture was seen for new orders which increased marginally across the private sector. Despite remaining in contraction territory, the manufacturing sector recorded a softer decline in new business. With both services and manufacturing sector firms raising payroll numbers, the level of outstanding business across the private sector fell further as firms were better able to process incoming new work.

Elsewhere, elevated private sector cost pressures continued to be driven by the service sector, with manufacturers reporting a fall in input prices for a thirteenth successive month. The latest rise in selling prices for Italian private sector goods and services accelerated to a solid pace, with a sharper rate of charge inflation signalled by service providers continuing to outweigh discounting in the price of manufactured goods in February.



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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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Hamburg Commercial Bank aligns its activities with established ESG (Environment, Social, and Governance) criteria and has anchored sustainability aspects in its business model. It supports its clients in their transition to a more sustainable future.

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S&P Global (NYSE: SPGI)

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