

NEWS RELEASE
MARKET SENSITIVE INFORMATION
Embargoed until 0945 CET (0845 UTC) 6 January 2025

HCOB Italy Services PMI®

The Italian service sector ends the year just inside growth territory

Key findings:

Renewed, albeit only marginal rise in services activity

Softer decline in new business signalled

Cost and charge inflation pick up

Data were collected 5-18 December 2024.

The Italian service sector returned to growth in the final month of the year, reversing November's brief period of contraction. However, demand conditions failed to fully stabilise, as new business declined for a second month in a row, albeit only marginally.

Italian service providers continued to report noticeable cost pressures, which rose at the strongest rate for five months, prompting a sharper rise in charges.

On a brighter note, confidence in the year-ahead outlook improved across the Italian service sector and hiring activity picked up during December.

The headline index from the report, the **HCOB Italy Services PMI® Business Activity Index** posted at 50.7 in December, up from 49.2 in November. Crucially, this was back above the 50.0 threshold that separates growth from contraction, thus reversing the brief decline seen in the previous survey period. The increase in business activity at services firms reportedly reflected greater workloads and new customer wins. The overall rate of expansion was only marginal, however, and was softer than the historical average.

Serving as a limiting factor to activity, firms continued to report reduced inflows of new business during December. This marked the fourth monthly drop in new work of 2024. Panellists frequently noted that customers were reluctant to place orders given the current economic climate, with weakness in particular linked to the autos sector. The speed of contraction was noticeably softer than in November, however, and only marginal overall.

Meanwhile, the downturn in new export business deepened during December, to signal the sharpest contraction seen for over a year. In anecdotal evidence, firms cited a drop in interest from European customers in particular.

On the jobs front, hiring activity was sustained at Italian services firms, as has generally been the case in each month of 2024 (with the only exception seen in October). Though only marginal, the rate of job creation was the most pronounced since July and elevated by historical standards.

Italian service providers continued to make progress in clearing their outstanding business in December. Despite a faster rise in employment levels, the rate of backlog depletion slowed and was only marginal overall.

Turning to prices, December data signalled an intensification of cost pressures, with the rate of inflation both substantial and the strongest for five months. Increases in input prices reportedly stemmed from a combination of greater wage, raw material,

services and energy costs.

At the same time, service providers were slightly more aggressive in their price setting, in an attempt to pass some of the increase in cost burdens to clients. Though the fastest for four months, the rate of charge inflation was only modest.

Looking ahead, firms across the sector continued to signal confidence in the year-ahead outlook for activity in December. Hopes of improved economic and geopolitical conditions and upbeat growth forecasts were reasons supporting positive sentiment. Despite picking up on the month, the degree of optimism remained subdued relative to the historical series average.

Comment

Commenting on the final PMI data, Jonas Feldhusen, Junior Economist at Hamburg Commercial Bank, said:

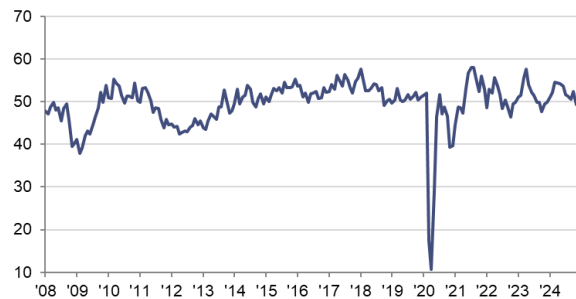
“Good news for Italy's service providers at the end of the year. The HCOB Services PMI rose into growth territory in December, partially offsetting the decline seen in November. The HCOB Composite PMI, a weighted average of the manufacturing and services indices, has improved overall but still indicates stagnation due to the weakness in the manufacturing sector. According to our HCOB Nowcasting model, Italy's GDP growth is also expected to stagnate in the fourth quarter.

“Input prices for Italian service providers remain elevated according to the HCOB PMI survey. A range of costs are putting pressure on companies, with wages and energy being the most prominent drivers. Rising input costs are affecting the prices of end products, which also increased in December. This indicates that at least some of the costs can be passed on to the end consumer. Overall, the rate of output charge inflation was moderate.

“Business activity in Italy's service sector increased slightly in December. However, caution is advised in interpreting this, as the index indicated contraction in the previous month. Overall new orders declined for the second consecutive month in December, while for foreign orders, a trend of contraction has been observed for a longer period. Additionally, outstanding business has been declining for some time. This paints a bleak picture for the coming months. Future business expectations are below the 2024 annual average.”

HCOB Italy Services PMI Business Activity Index

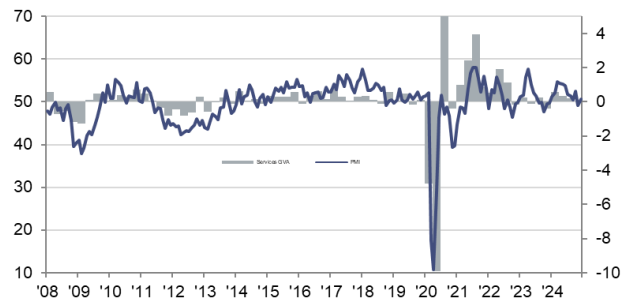
sa, > 50 = growth since previous month



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.

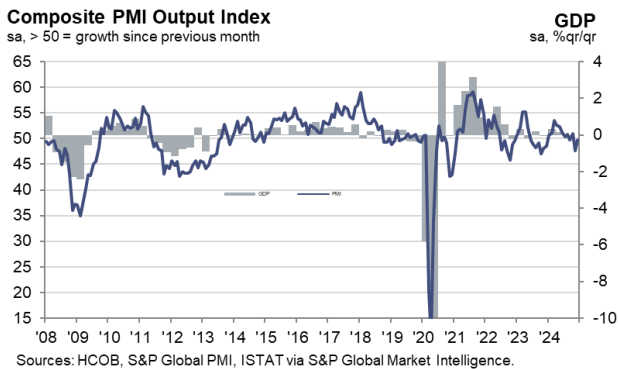
HCOB Italy Composite PMI[®]

Private sector downturn moderates as services returns to growth

The **HCOB Italy Composite PMI Output Index*** remained fractionally inside contraction territory in December, posting at 49.7, up from 47.7 in November. The private sector downturn was only fractional, amid renewed activity growth at services and a softer drop in manufacturing production. There persisted some weakness in demand as overall new orders fell for a second successive month. Both broad sectors recorded softer rates of decline, however.

The level of outstanding business decreased again in December, but at the softest rate for five months. With ongoing signs of spare capacity, private sector employment levels were meanwhile kept broadly stable on the month during December. Trends of services jobs growth and manufacturing job shedding were sustained.

Overall cost pressures were strong, with the pace of input price inflation picking up to the sharpest for four months, as manufacturing joined services in recording higher input costs. Amid some signs of demand uncertainty, overall charges rose only marginally during the final month of the 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

Hamburg Commercial Bank (HCOB) is a private commercial bank and specialist financier headquartered in Hamburg, Germany. The bank offers its clients a high level of structuring expertise in the financing of commercial real estate projects with a focus on Germany as well as neighboring European countries. It also has a strong market position in international shipping. The bank is one of the pioneers in European-wide project financing for renewable energies and is also involved in the expansion of digital and other areas of important infrastructure. HCOB offers individual financing solutions for international corporate clients as well as a focused corporate client business in Germany. The bank's portfolio is completed by digital products and services facilitating reliable, timely domestic and international payment transactions as well as for trade finance.

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S&P Global (NYSE: SPGI)

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