

News Release

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S&P Global Italy Services PMI[®]

Business activity declines for first time since January

Key findings

Service sector output falls amid reduction in new business

Inflationary pressures remain elevated, but ease since June

Business confidence weakest since November 2020

Italy's service sector registered a fall in business activity during July, according to the latest PMI[®] data. Both activity and new work declined for the first time since January amid reports that an uncertain economic outlook had dampened client confidence and led to a deterioration in demand. Subsequently, concerns around the outlook intensified and business confidence fell to a 20-month low.

Some positive news came from the survey's price indicators, which highlighted a further easing in the rates of both input cost and charge inflation in July. That said, the pace of increase in both cases was still amongst the strongest on record.

The seasonally adjusted S&P Global Italy Services PMI Business Activity Index registered 48.4 in July, down from 51.6 in June. Below the neutral level of 50.0, the latest reading was indicative of the first contraction in Italian services activity since January, and one that was modest overall.

At the same time, new business to Italian service providers declined. Anecdotal evidence attributed the reduction to weak client demand, linked in turn to downbeat expectations towards the economic outlook which dampened customer confidence. The rate of reduction was only marginal overall, however.

Foreign demand remained a minor bright spot, with new export business rising for the fourth time in as many months. That said, the rate of growth slowed to just a fractional pace.

Turning to prices, costs faced by services firms rose in July, as has been the case in each month for just over two years. Greater fuel, energy and, material costs, shortages and the war in Ukraine were all cited by survey respondents as drivers of inflation in July. The latest rise was the slowest for six-months, hinting further at a peaking of cost pressures, but nonetheless amongst the steepest on record.

As a result, average charges levied by services firms rose

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



Source: S&P Global.
Data were collected 12-26 July 2022.

Comment

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

"July PMI data pointed to the first contraction in Italian services activity since January, as demand conditions deteriorated.

"The downturn in services coincided with a sharp drop in factory production in July, and as a result, Italian private sector output declined for the first time since January 2021.

"Demand conditions at the composite level also weighed heavily on performance, with new business inflows falling moderately amid reports of weak client demand due to heightened uncertainty and weaker consumer confidence.

"Rates of both cost and charge inflation eased further from recent peaks in July, hinting that inflationary pressures may have peaked, though the rates of increase in both cases were still marked by historical standards."

"The downbeat performance was reflected in a further moderation in business confidence in July. Downbeat expectations for activity over the next year were attributed by panellists to the murky economic outlook, war in Ukraine, inflationary pressures and political instability, with sentiment the weakest for over a year-and-a-half."

PMI[®]

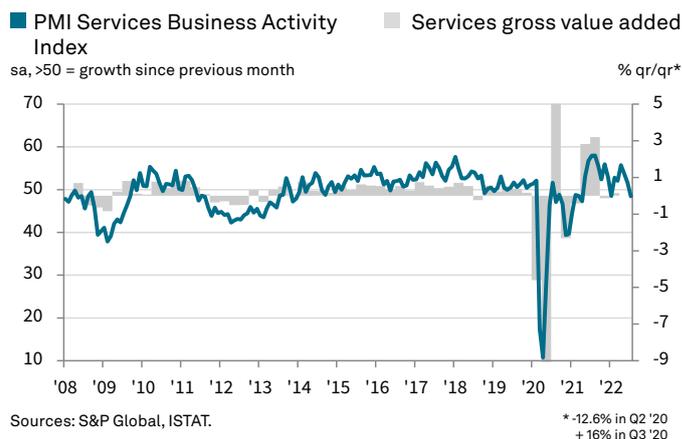
by S&P Global

again in July, amid reports that firms were hiking charges in an attempt to pass costs through to clients. The rate of charge inflation also eased on the month, but was still the third-quickest on record.

Elsewhere, despite weaker demand conditions and a fall in business activity, job creation at services firms across Italy was sustained into July, extending the current sequence of greater employment to 15 months. Moreover, the rate of increase ticked up to a modest pace.

Subsequently, July data pointed to further evidence of reduced capacity pressures across the Italian service sector. The level of outstanding business declined for the second month in a row, attributed by panellists to weaker output requirements. Furthermore, the pace of backlog depletion was the quickest since January 2021 and solid overall.

Finally, expectations towards the year-ahead outlook for business activity moderated further in July. The Future Activity Index ticked down to the lowest level since November 2020. Panellists attributed reduced sentiment to a challenging economic climate, political uncertainty, the war in Ukraine and tighter financial conditions.



S&P Global Italy Composite PMI®

Italian private sector economy falls into contraction in July

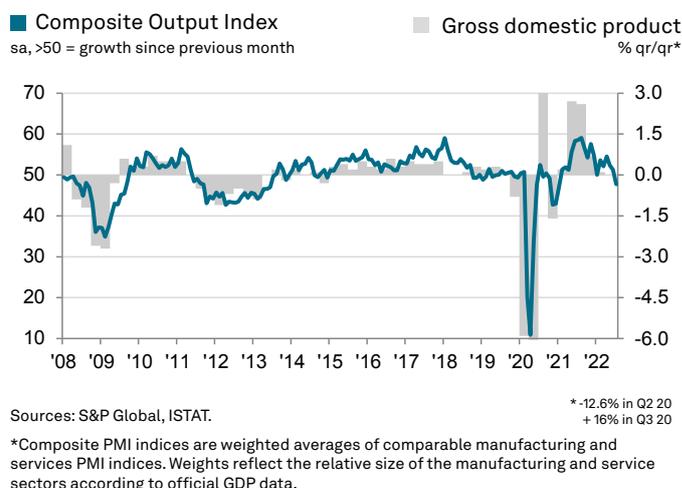
The S&P Global Italy Composite PMI Output Index* fell into contraction territory in July, posting 47.7, down from 51.3 in June. This marked the first time since January 2021 the headline figure registered below the crucial mark of 50.0. Both manufacturing and services dipped into decline in July, with the former seeing a quicker rate of contraction.

Central to the downturn in July was the first reduction in new business to Italian firms for 18 months, with manufacturing recording a steeper fall than services. New export orders meanwhile dropped for the third month running.

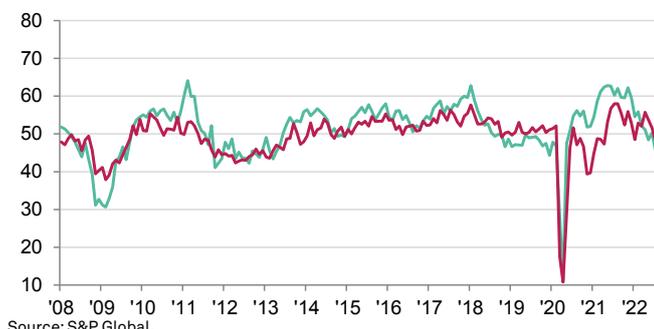
Elsewhere, capacity pressures eased further, as evidenced by a moderate fall in outstanding business. Nonetheless, firms again took on additional staff in July, albeit at the weakest pace in the current 15-month sequence.

Turning to prices, rates of both cost and charge inflation remained elevated, but eased on the month, particularly in manufacturing.

Finally, business confidence was the weakest since May 2020.



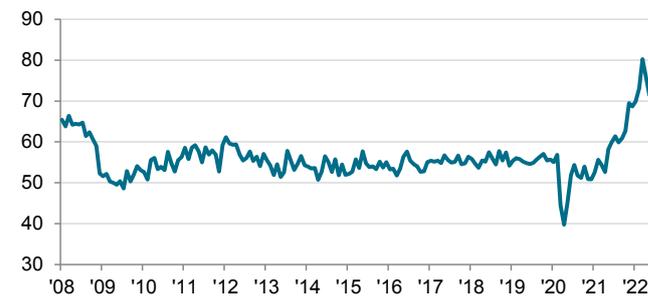
■ Manufacturing PMI Output Index
■ Services PMI Business Activity Index
 sa, >50 = growth since previous month



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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