NEWS RELEASE
MARKET SENSITIVE INFORMATION
Embargoed until 0945 CET (0845 UTC) 06 January 2026

HCOB Italy Services PMI®

Strongest expansion in inflows of new business in 20 months in December

Key findings:

Activity growth moderates, despite stronger rise in new business

Inflationary pressures cool

Confidence fades while jobs growth remains slight

Data were collected 4-18 December 2025.

Growth of Italian services activity lost momentum at the end of 2025, following a strong upturn in November that was the sharpest in 31 months. The slower expansion in output occurred despite a further marked improvement on the new business front. Up slightly from November, the upturn in inflows of new work was the most pronounced in 20 months.

Overall confidence levels retreated and there were some signs of reluctance towards hiring as growth was again only slight, reflecting a balance of capacity and workloads. At the same time, prices data indicated softer increases at the end of the year, with cost pressures falling below trend.

At 51.5 in December, the **HCOB Italy Services PMI® Business Activity Index** retreated from November when it was its highest in more than two-and-a-half years (55.0). Although the sector rounded off the year in expansion territory, the rate of growth was weaker than the 2025 full year average and only modest in nature.

Where firms signalled greater output, they attributed this to higher sales volumes, new customer onboarding and efforts to implement of new software.

The slowdown in the pace of activity growth occurred despite sustained and sharp inflows of new business. Volumes of new work have risen in each month for nearly a year, with the current trend of growth stretching back to February 2025. Although the rate of expansion was broadly similar that seen throughout the fourth quarter, it was nonetheless the strongest since April 2024.

In anecdotal evidence, a general pick-up in customer interest for Italian services was noted. Some panellists also saw their marketing efforts bear fruit.

Data from the latest survey confirmed that the domestic market drove the improvement in demand conditions in December, as export orders ticked down slightly. There were mixed reports from panellists with respect to demand from European markets, with some noting stronger interest from customers despite a generally subdued sales environment.

Workforce numbers across the Italian service sector rose only slightly again in December, which was broadly in line with the fourth quarter average. There was evidence that workloads were aligning with capacity, as firms also signalled just a slight drop in volumes of work-in-hand.

On the price front, Italian services companies faced another marked rise in their average cost pressures at the end of the year.

Around 15% of firms reported an increase in costs (often related to higher wages, raw materials and other business expenses), compared to just 2% that saw a reduction. That being said, the rate of inflation was softer than in November and below trend.

Firms were sufficiently confident in demand conditions to be able to pass through some of the hike in cost burdens to clients by increasing their fees. However, prices charged by service providers exhibited a softer rate of increase in December and one that was mild in relation to that of costs amid pressure on margins.

Looking ahead, more than one-third of Italian service providers were confident that activity would rise over 2026, comparing favourably to the 11% that predict a fall. Spending on marketing, the Winter Olympic Games and efforts to attract new clients are expected to drive new business and subsequently raise activity. In the context of the series history, confidence levels fell further below trend, however.

Comment

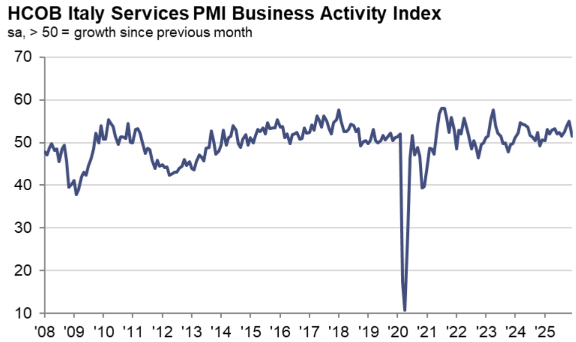
Commenting on the PMI data, Nils Müller, Junior Economist at Hamburg Commercial Bank, said:

"The Italian private sector cooled as 2025 drew to a close. After manufacturing slipped back into contraction, services also cooled markedly, with the HCOB Italy Services PMI falling to 51.5 in December from November's just over two-and-a-half-year high of 55.0. While the index remained above the 50.0 threshold, signalling continued growth, the pace was modest and weaker than the full year average.

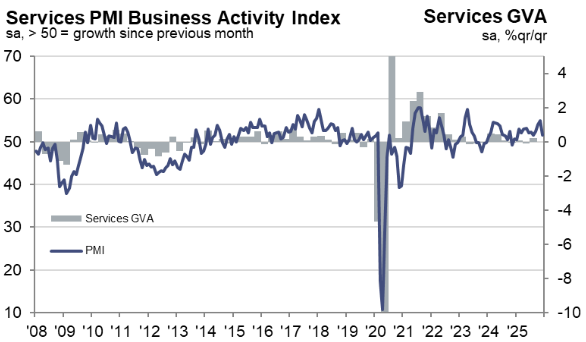
"The slowdown in activity came despite a notable improvement in demand conditions. New business inflows rose sharply and at the fastest rate in 20 months, driven largely by domestic clients and successful marketing efforts. Export orders slipped fractionally, indicating a sustained but only mild setback in international sales. Employment growth remained slight, as firms balanced capacity with workloads, and backlogs continued to decline.

"Price dynamics offered some relief. Input cost inflation eased from November and fell below trend, even though wage pressures and higher operating expenses persisted. Service providers were able to pass on some of these costs, but charge inflation softened, pointing to margin pressures. Business confidence stayed positive, with expectations for higher activity in 2026 being supported by marketing investment and the Milan-Cortina Winter Olympics, though sentiment slipped further below its historical average.

"Overall, December's PMI data indicate that Italy's private sector enters 2026 with growth intact but having lost steam. The service sector remains the key driver of expansion, underpinned by strong domestic demand, while manufacturing continues to weigh on the composite index. With confidence slipping and external headwinds persisting, the outlook for early 2026 is more cautious."



Sources: HCOB, S&P Global PMI.



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

HCOB Italy Composite PMI®

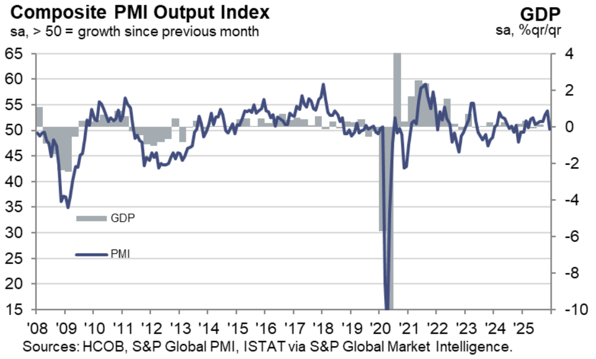
Italian private sector expands at softest pace in 11 months

At 50.3, the **HCOB Italy Composite PMI Output Index** just remained in growth territory the end of 2025. The latest figure retreated from November's over two-and-a-half year high of 53.8, to its lowest in nearly one year. At the composite level, growth in new business slowed to its weakest in three months. Despite a fresh decline at manufacturers, expansions were sustained in both output and new business, buoyed by the services economy.

Private sector employment levels were unchanged in December, as growth in services jobs counterbalanced reductions at goods producers. Both broad sectors were able to run down outstanding business, however.

There were widespread cooldowns in cost pressures across both the manufacturing and service sectors, pushing the composite reading below its long-run average. Meanwhile, although the overall rate of charge inflation eased, it was elevated by historical standards.

Finally, looking ahead, manufacturers retained a far more positive outlook than their service sector counterparts in December.



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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.

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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. www.spglobal.com/marketintelligence/en/mi/products/pmi.html .

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