

News Release

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S&P Global Italy Services PMI[®]

Services activity declines further amid marked fall in new work

Key findings

Back-to-back reduction in business activity

New business declines at fastest pace since January 2021

Sentiment moderates to 23-month low

The Italian service sector moved deeper into contraction territory in October, according to the latest PMI[®] data. Business activity declined for the second month running, and at a quicker pace amid the sharpest contraction in new business inflows since January 2021. Survey respondents cited poor demand, linked in turn to higher prices and heightened economic uncertainty.

As a result, business confidence moderated since September, with sentiment the weakest for nearly two years.

The seasonally adjusted S&P Global Italy Services PMI Business Activity Index remained below the neutral mark of 50.0 for a second consecutive month in October. Moreover, the index fell from 48.8 to 46.4, to signal the quickest rate of contraction since January 2021. Lower activity levels were reportedly due to weak demand conditions.

October data also signalled another reduction in new business at Italian services firms, as has been the case in each month since July. Panellists cited higher prices and economic uncertainty. Furthermore, the rate of reduction accelerated noticeably on the month and was the sharpest since January 2021.

Weakening demand conditions stemmed in part from foreign markets in October, as new orders from abroad decreased further, with the latest fall the quickest since January.

Despite a sustained fall in new business, Italian services firms recorded a stabilisation in the level of outstanding business in October, with the respective seasonally adjusted index posting on the 50.0 mark. Backlogs had fallen in each of the prior four months.

Meanwhile, workforce numbers increased again at the start of the fourth quarter. Survey respondents linked the latest uplift to expectations of a rebound in demand and efforts to work through backlogs. The rate of job creation quickened slightly on the month and was moderate overall.

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



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

Comment

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

"PMI data for October pointed to the Italian service sector dipping further into contraction territory amid the quickest reduction in new business since the start of 2021. Firms cited both economic uncertainty and higher prices.

"A quicker contraction was also recorded in manufacturing production in October. As a result, Italian private sector output declined at the quickest rate for nearly two years.

"A more positive impact from poor demand was a further slight cooling of inflationary pressures at the start of the fourth quarter. Nonetheless, rates of increase in both costs and charges remained amongst the most marked on record, with firms reporting the pass through of greater input prices due to higher energy, fuel, material and staff costs.

"The sustained downturn was again reflected in sharply subdued expectations towards the outlook amongst Italian firms. Business confidence at the composite level was unchanged on September's 28-month low and amongst the weakest on record."

PMI[®]

by S&P Global

Turning to prices, October data signalled a slight easing of rates of inflation for both input costs and selling prices.

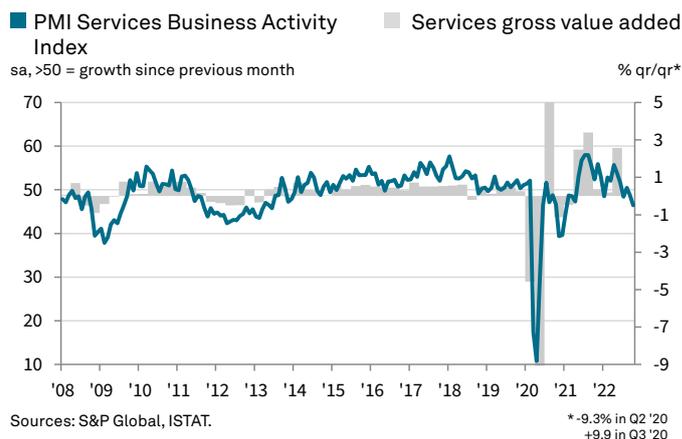
Costs faced by firms continued to rise, extending the current sequence of increase to 29 months. Energy, fuel, materials and staff costs were cited as by panellists as the primary drivers of inflation. Albeit amongst the most rapid on record, the rate of increase slowed since September.

Higher costs continued to feed through to increased charges levied by service providers in October. Output charges rose for the thirteenth consecutive month.

That said, the rate of inflation slowed noticeably on the month, with some panellists reporting that poor demand and greater competitive pressures had limited the ability of firms to pass on higher costs.

Looking ahead, the Future Output Index fell to a 23-month low in October, indicative of a moderation in confidence amongst Italian services firms. Where optimism was recorded, this was linked to hopes of an economic rebound and improved demand conditions.

However, concerns around inflationary pressures, particularly energy prices, tighter financial conditions and the economic outlook weighed on expectations.



S&P Global Italy Composite PMI®

Downturn accelerates in October

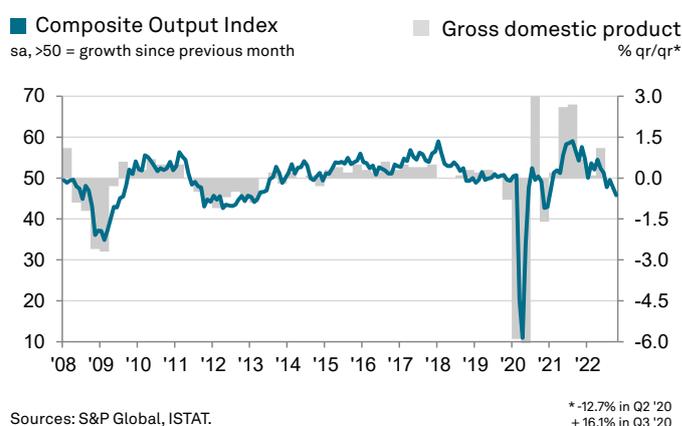
The S&P Global Italy Composite PMI Output Index* fell to a 22-month low of 45.8 in October, down from 47.6 in September. This signalled a fourth straight monthly contraction in output and one that was sharp. The downturn was broad-based in October, led by manufacturing.

At the same time, inflows of new business declined further, and at the steepest pace since December 2020. Foreign demand continued to falter, as new export work decreased at the fastest pace for over two years and markedly.

Subsequently, firms were able to continue working through outstanding business in October, which fell for the fifth month in a row. That said, the reduction eased to a marginal rate. Nonetheless, job creation was sustained at the start of the fourth quarter. In fact, employment growth was the quickest for three months.

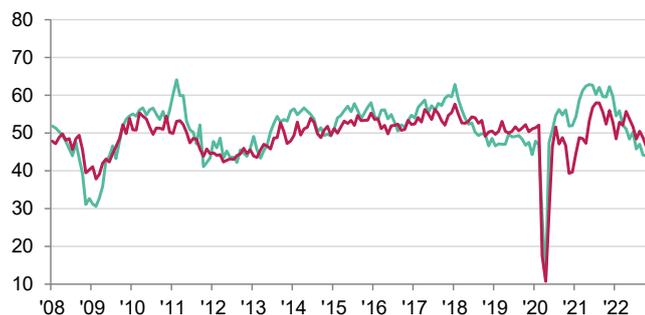
On the price front, rates of inflation cooled since September, though remained historically elevated.

Finally, business confidence was unchanged on September's 28-month low.



*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

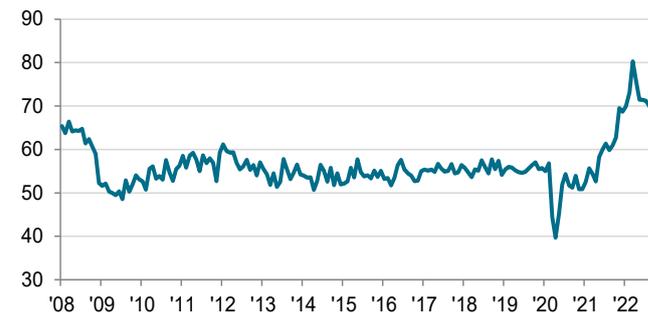
■ Manufacturing PMI Output Index
■ Services PMI Business Activity Index
 sa, >50 = growth since previous month



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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Contact

Lewis Cooper
 Economist
 S&P Global Market Intelligence
 T: +44-1491-461-019
lewis.cooper@spglobal.com

Sabrina Mayeen
 Corporate Communications
 S&P Global Market Intelligence
 T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

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