

News Release

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S&P Global Italy Services PMI[®]

Growth returns as new business rises at solid pace

Key findings

Simultaneous increases in both activity and new work

Jobs growth continues

Charges increased at survey record rate

Italy's service sector began 2023 on a positive footing, with activity and incoming new business both increasing concurrently for the first time since last June. Firms also continued to take on additional staff, in part reflective of a growing optimism about the future. Input cost inflation continued to weaken, though admittedly remained elevated as wages and high supplier charges continued to push up operating expenses. Service sector companies responded by raising their own output charges to the greatest degree in over 25 years of survey history.

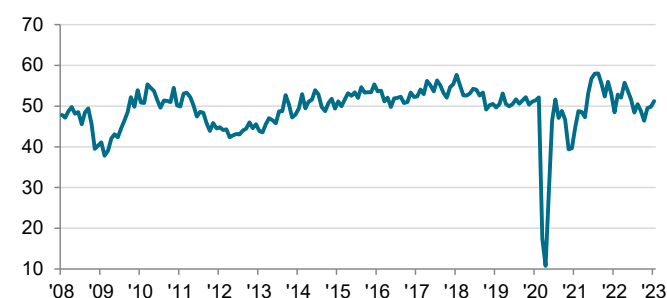
The seasonally adjusted S&P Global Italy Services PMI Business Activity Index posted 51.2 during January, up from 49.9 in December. Whilst still below the survey's long-term average, the latest reading was the best since last June. Moreover, being above the crucial 50.0 no-change mark that separates expansion from contraction, the index signalled the first growth in five months.

The modest rise in activity was linked by panellists to higher levels of incoming new business, which increased for the second successive month. Growth was solid, and the highest since May 2022 amid reports of better demand. The release of new services at the start of the year also helped support the uptick in new business volumes. Growth was domestically orientated, however, as new export business fell for a sixth consecutive month in January.

In line with the trend recorded by the survey since May 2021, service sector companies took on some additional staff at the start of 2023. Employment gains reflected in part efforts to dealing with current workloads and this was broadly successful: levels of work outstanding declined for a third successive month, and to the greatest degree in the current sequence.

Companies also noted taking on new workers at a time of growing optimism about the future. Confidence in January improved to a nine-month high, driven by hopes of a decline in

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



Source: S&P Global.
Data were collected 12-26 January 2023.

Comment

Paul Smith, Economics Director at S&P Global Market Intelligence, said:

"There was a welcome return to growth for Italy's services economy at the start of the year. Against the backdrop of the mild winter and the residual effects of a post pandemic uplift in market activity, the modest rise in output, and more significantly the solid increase of new business volumes, should go some way to assuaging fears of recession. Moreover, firms continue to add to their staffing levels amid hopes that market conditions will continue to stabilise.

"That said, the underlying growth profile of the sector remains fairly weak, and worries over the strength of the recovery persist. Moreover, the spectre of inflation is still with us, and there is concern that core inflationary pressures will remain elevated for some time given survey evidence of strengthened corporate pricing power and ongoing upward wage pressures."

PMI[®]

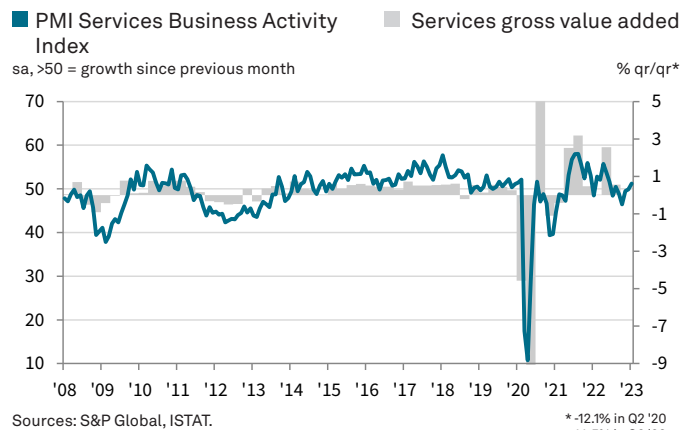
by S&P Global

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inflation and a broader stabilisation of economic conditions. However, worries persist over the strength of any recovery, and with the war in Ukraine continuing, sentiment remained at a historically low level.

Input price inflation maintained its steady downward trend in January, dropping to its lowest level for 15 months. However, prices are still rising at a historically elevated pace. Companies reported that suppliers continued to raise their charges, and that wage expenses were also fuelling an upturn in operating expenses.

Firms responded to higher input costs by raising their own prices, taking advantage in part of an improved demand picture at the start of the year. Overall, output charges increased for a sixteenth successive month, and crucially to the greatest extent in over 25 years of survey data collection.



S&P Global Italy Composite PMI®

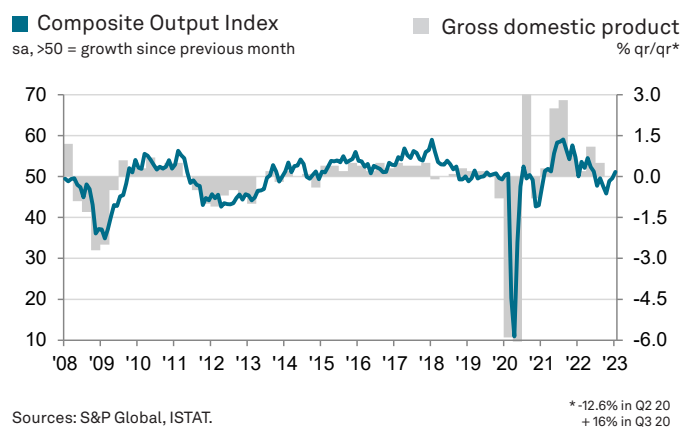
Return to growth of private sector output

The S&P Global Italy Composite PMI Output Index* returned to growth territory during January, reflective of concurrent gains in output in the manufacturing and services economies. After accounting for seasonal factors, the index posted 51.2, up from 49.6 in December.

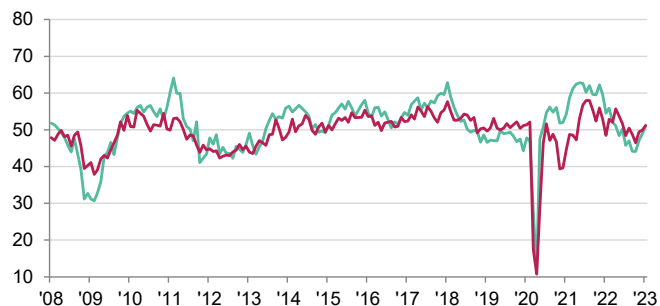
Similarly, new business volumes increased modestly, although growth was driven by a solid rise in service sector sales. Manufacturing new orders continued to fall, albeit at a much slower pace. New export business continued to fall across both sectors, however.

Input cost trends remained downward, with inflation dropping to its lowest level for 21 months. However, in a sign of growing corporate pricing power, output charges rose to the strongest degree since September 2022.

Finally, confidence in the future strengthened, hitting a near one-year high. Firms from across the private sector also continued to take on additional staff.



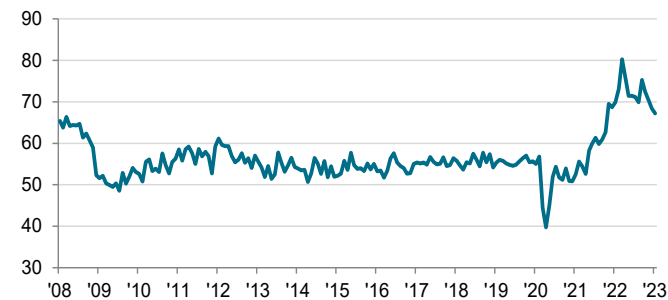
■ Manufacturing PMI Output Index
■ Services PMI Business Activity Index
 sa, >50 = growth since previous month



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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