

NEWS RELEASE
MARKET SENSITIVE INFORMATION
Embargoed until 0945 CEST (0745 UTC) 4 June 2025

HCOB Italy Services PMI[®]

Service sector activity rises at sharpest rate nearly one year

Key findings:

Business activity rises at stronger rate, while the future outlook brightens

New business growth softens slightly, but remains historically elevated

Inflationary pressures intensify

Data were collected 12-27 May 2025.

The Italian service sector remained on steady growth footing midway through the second quarter. Supported by a sustained rise in new business, output expanded at the quickest rate in almost one year. Increased hiring activity enabled firms to make further inroads to their outstanding business. This also coincided with improved confidence towards the outlook for activity, though sentiment was well-below trend. Meanwhile, price indices shifted higher, with services fees rising at the strongest rate in over a year.

The **HCOB Italy Services PMI[®] Business Activity Index** registered 53.2 in May, up slightly from 52.9 in April. The latest reading marked the sixth consecutive monthly rise in activity and was consistent with strong growth in the Italian service sector. The expansion was the fastest in nearly a year, reflective of a pick-up in customer demand and a subsequent rise in new business.

Overall new work volumes continued to rise at a modest pace in May. The latest increase was the fourth in successive months and was a result of incoming new orders from both existing and new customers, panel member reports showed. The rate of expansion was stronger than the long-run series average.

There were signs that the sustained growth in orders was held up by the domestic market as new export business declined further in May. The rate of contraction was the quickest in four months and solid overall. Challenging global economic conditions reportedly weighed on demand for Italian services.

In line with greater new business, there was a similarly strong increase in service sector employment levels in May. The rate of jobs growth was not only the most pronounced since July 2024 but also more marked than the historical trend (50.7). A number of firms mentioned hiring temporary and part-time staff to support new business volumes.

Additional capacity aided service providers to work through their outstanding business for the third month in a row in May. The rate of reduction in incomplete business was only fractional, however.

Companies took on new staff at a time of improved optimism towards the outlook for output. The level of confidence was the highest for three months in May, with nearly one-third (32%) of respondents forecasting a rise in activity over the year. The prospect of new client wins as well as plans to invest and expand business drove positive sentiment. Firms were also hopeful that market conditions would pick-up. The degree of confidence remained subdued compared to the long-run series average, however.

Input price inflation remained elevated, meanwhile, amid reports of increased energy prices and wage burdens. Cost pressures

were up slightly on the month but remained softer than those seen in the first quarter of the year.

Service providers increased their selling prices at a sharper rate in response to greater cost pressures. The rate of charge inflation picked up to its strongest in just over a year. The latest data contrasted with the historic trend which indicates more prevalent discounting (index: 49.2).

Comment

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

“Italy’s service sector continued to expand in May, with the HCOB Services PMI rising to 53.2 – its highest reading in nearly a year. The sixth consecutive month of growth was underpinned by resilient domestic demand and a steady inflow of new business, helping to solidify the sector’s role as the main engine of Italy’s economic expansion. While the pace of new order growth softened slightly, it remained elevated by historical standards, suggesting that the recovery is gaining traction.

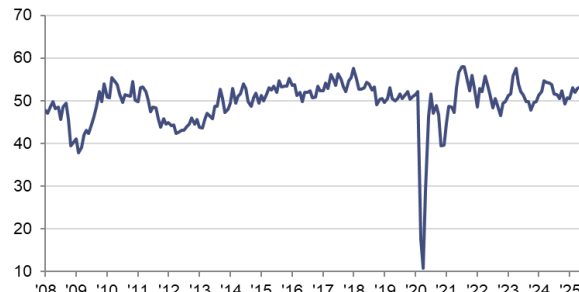
“Employment growth accelerated to its strongest pace since mid-2024, as firms responded to rising workloads by hiring additional staff – often on temporary or part-time contracts. Business confidence also improved, reaching a three-month high, though it remained below the long-run average, reflecting lingering caution.

“At the same time, the external environment continues to cast a shadow over the sector. Export demand fell for a tenth consecutive month, with the sharpest contraction since January. Survey respondents pointed to subdued global conditions as a key factor dampening international sales. What will the US-EU trade negotiations bring? We don’t know yet – and until there is clarity, ongoing trade uncertainty will remain a central theme for Italian services exporters.

“Inflationary pressures, meanwhile, showed signs of reacceleration. Input costs rose amid higher energy prices and wage burdens, prompting firms to raise their selling prices at the fastest rate in over a year. While this may help protect margins, it could also test the limits of consumer tolerance in the months ahead. For the ECB, which HCOB Economics expects will lower its key interest rates once more at the upcoming June meeting, the uptick in service-sector inflation is an unwelcome development, potentially complicating the path toward broader price stability across the eurozone.”

HCOB Italy Services PMI Business Activity Index

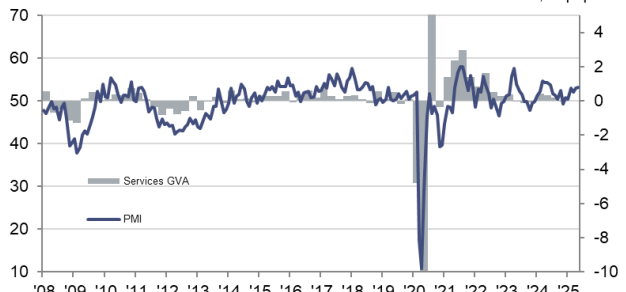
sa, > 50 = growth since previous month



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[®]

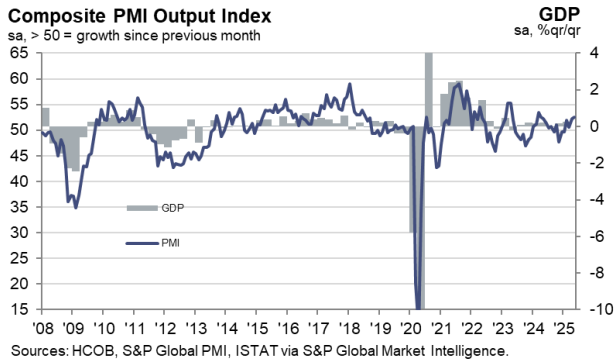
Private sector growth hits 13-month high in May

The **HCOB Italy Composite PMI Output Index** rose from 52.1 in April to 52.5 in May, to signal a fourth straight month of expansion in the Italian private sector. With manufacturing joining services in growth territory, the uplift was its strongest in 13 months. Meanwhile, new orders rose at a modest pace in May. The decline in manufacturing orders neared stabilisation, while there was a slight softening in services new business growth.

Employment continued to increase at the composite level, owing to sustained growth in services payroll numbers. This supported a further reduction in levels of work outstanding. Backlogs were depleted across both the manufacturing and service sectors, but more prominently in the former.

Overall, input prices rose at a strong, but softer rate compared to April. At the sector level trends diverged as manufacturing operating expenses fell, while service providers recorded a rise cost pressures.

The overall rate of charge inflation was its most marked in just over a year, owing to stronger price setting at services providers. Finally, overall confidence levels improved, supported by a pick-up in expectations across both broad sectors.



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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.

Hamburg Commercial Bank aligns its activities with established ESG (Environment, Social, and Governance) criteria and has anchored sustainability aspects in its business model. It supports its clients in their transition to a more sustainable future.

The bank's specialists are as experienced as they are pragmatic. They act in a reliable manner and at eye level with their customers. They provide in-depth advice in order to jointly find efficient solutions that are a perfect fit – for complex projects in particular. Tailor-made financing, a high level of structuring and syndication expertise and many years of experience are just as much a hallmark of the bank as are our profound market and sector expertise.

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