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IHS Markit Italy Services PMI®

Including IHS Markit Italy Composite PMI®

Further uplift in business activity during December, but rate of growth moderates

Key findings

New work expands at slower pace amid fresh dip in export orders

Rate of job creation eases to seven-month low

Price pressures remain among strongest on record

Data were collected 06-20 December 2021.

Italy's service sector remained on a growth footing in December, according to the latest PMI® data, though the rate of expansion eased to a moderate pace amid a slower upturn in total new work and a fresh contraction in foreign demand. Meanwhile, the rate of job creation was the slowest since May, while inflationary pressures remained among the most severe on record.

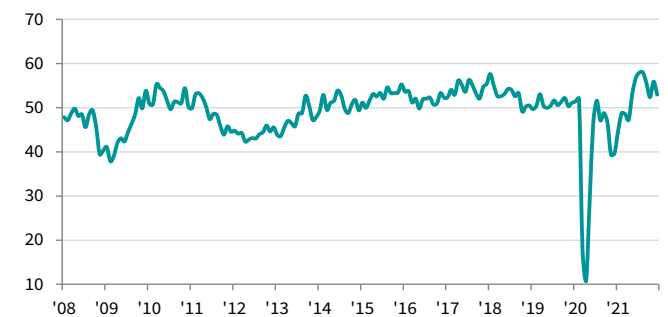
The headline seasonally adjusted IHS Markit Italy Services PMI® Business Activity Index posted 53.0 in December. This signalled an eighth successive monthly upturn in services output, and one that was solid overall. Falling from 55.9 in November, however, the latest reading was indicative of a noticeable cooling of growth momentum.

The overall expansion in December was driven by a further increase in new business at Italian services firms, amid reports of strong demand conditions. Although sharp by historical standards, the rate of expansion eased on the month, due in part to a renewed decline in new export business.

Nonetheless, the latest uplift in new orders was sufficient to result in a further rise in the level of outstanding business at Italian services firms, stretching the current sequence of greater capacity pressures to four months. According to panellists, strong sales combined with supply constraints drove the latest rise in outstanding business. Moreover, the rate of backlog accumulation was little changed from November and the second-fastest for nearly 16 years.

Subsequently, service providers continued to expand their

Italy Services PMI Business Activity Index
sa, >50 = growth since previous month



Source: IHS Markit.

staffing levels during the final month of 2021. The rate of job creation was the weakest since May, however, and only modest overall.

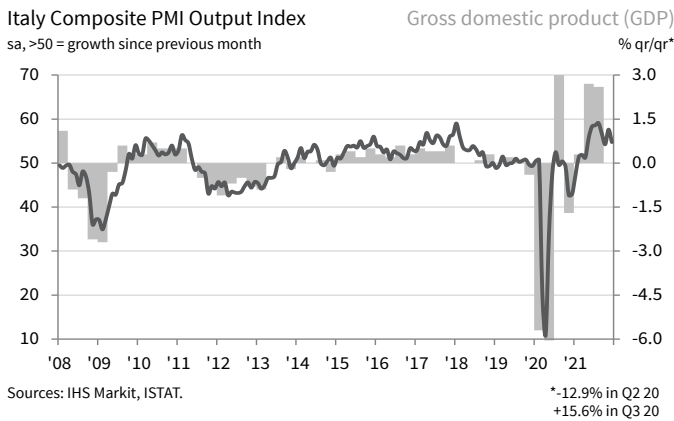
At the same time, inflationary pressures remained severe, with firms recording a nineteenth consecutive monthly rise in cost burdens. Greater fuel, energy, staff, and transport costs were all cited by panellists as drivers of inflation in December. The rate of increase in input prices was the second-fastest on record, behind only November 2021.

As a result, average charges levied by Italian services firms rose further in December, amid reports that companies were passing greater costs through to clients where possible. Despite easing from November's record pace, the rate of charge inflation remained amongst the fastest on record and sharp overall.

Looking ahead, Italian service maintained upbeat expectations towards business activity over the next 12 months in December. Confidence was attributed through anecdotal evidence to strong demand conditions and hopes that COVID-19 related issues would dissipate in 2022. The level of sentiment ticked up slightly on the month and remained strong in the context of historical data.

IHS Markit Italy Composite PMI®

Output growth moderates, but remains historically strong



The seasonally adjusted Italy Composite Output Index posted 54.7 in December, to signal an eleventh straight monthly upturn in Italian private sector output. Down from 57.6 in November, the latest figure was indicative of a loss of growth momentum, although the overall rate of expansion remained sharp by historical standards.

The composite index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index*.

Output growth was again led by manufacturing which saw a marked upturn, albeit slower than in November. Meanwhile, services activity rose solidly, but at one of the weakest rates in the current eight-month sequence of expansion.

Overall growth was driven by a further sharp increase in new work to Italian firms in December. The rate of growth eased on the month, but was still sharp overall. Subsequently, the level of outstanding business rose at a fresh series record pace. At the same time, firms continued to expand their staffing levels in December.

Concurrently, inflationary pressures remained elevated, with the rates of both cost and charge inflation easing only slightly from their recent peaks in November.

Looking ahead, Italian companies remained upbeat towards activity over the next year, but sentiment moderated to the lowest since last January.

*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.

Comment

Lewis Cooper, Economist at IHS Markit, which compiles the survey:

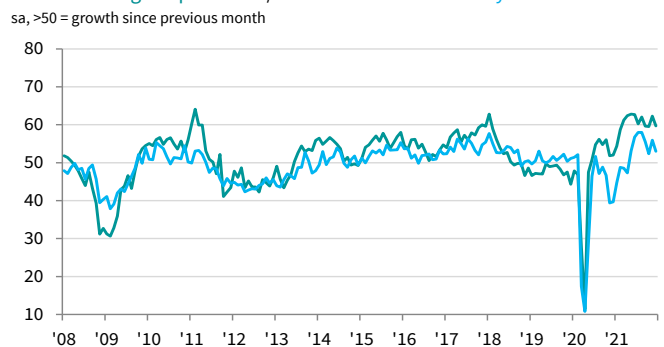
"The Italian services sector saw sustained growth in December, rounding off the final quarter of the year with a solid performance. There was evidence that momentum is cooling, however, as the rate of expansion in business activity eased noticeably amid a slower upturn in new work and a fresh reduction in inflows of new business from abroad.

"Although firms continued to take on additional staff, the rate of job creation eased to the slowest since May, while companies continued to battle with near-record cost increases and subsequently raised their own charges sharply.

"Manufacturing growth also cooled in the final month of 2021, although remained much stronger than services, resulting in a slightly weaker upturn in Italian private sector output, but one that was sharp in the context of historical data. Demand conditions remained strong overall, and as a result, firms are confident of higher activity levels over the coming year.

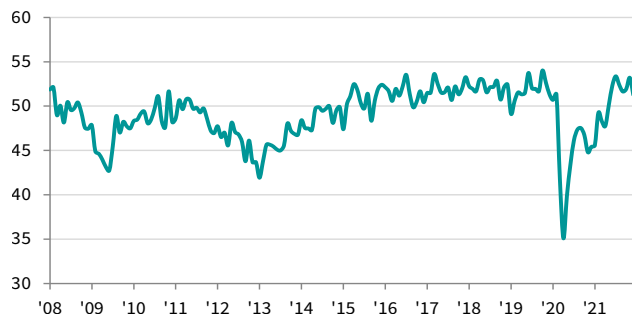
"Rising COVID-19 rates across the continent, combined with ongoing supply issues and surging inflationary pressures are the most significant stumbling blocks facing firms in 2022, but as we turn the corner into the new year, the Italian economy appears to be in a strong position."

Manufacturing Output Index / Services Business Activity Index



Italy Services PMI Employment Index

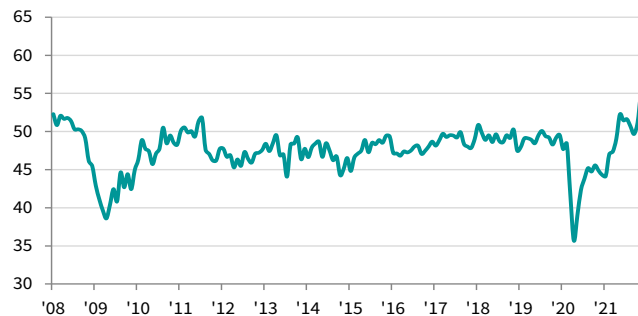
sa, >50 = growth since previous month



Source: IHS Markit.

Italy Services PMI Prices Charged Index

sa, >50 = inflation since previous month



Source: IHS Markit.

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Survey methodology

The IHS Markit Italy Services PMI® is compiled by IHS Markit 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.

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 services 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.

Survey dates and history

Data were collected 06-20 December 2021.

Survey data were first collected January 1998.

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