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## IHS MARKIT ITALY SERVICES PMI®

INCLUDING IHS MARKIT ITALY COMPOSITE PMI®

### Services rebound accelerates, with growth strongest for 14 years

#### KEY FINDINGS

Business Activity Index highest since July 2007

Upturn in new work strongest since 2017 amid record rise in export orders

Rate of job creation fastest since late-2019

Data were collected 12-27 July 2021.

The Italian services sector saw the strongest growth for 14 years during July, according to the latest PMI® data, as looser COVID-19 restrictions and the return of international travel led to stronger client demand. A record upturn in new export business provided a noticeable boost to the sector, with total new work rising at the quickest rate since late-2017 as a result. Firms also continued to take on additional staff in July, with job creation the strongest for nearly two years, in part reflecting sustained capacity pressures.

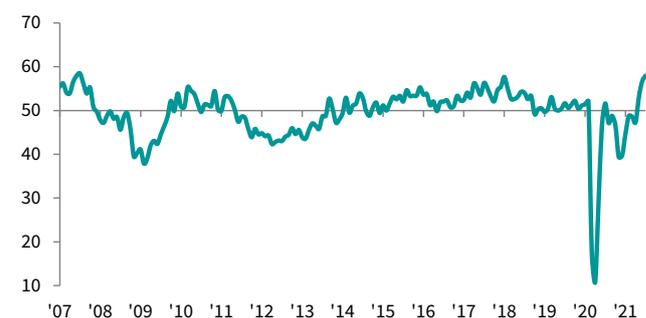
The headline index from the report, the seasonally adjusted Business Activity Index – which is based on a single question asking respondents to report on the actual change in business activity at their companies compared to one month ago – rose from 56.7 in June to 58.0 in July, signalling a third successive monthly upturn in Italian services output, and one that was the strongest recorded since July 2007.

Central to growth was a further revival of client demand during July. Inflows of new work increased for the third month running, with the rate of expansion the fastest since December 2017 and sharp overall. According to panellists, the easing of lockdown restrictions and the reopening of sectors had released further pent-up demand. Stronger sales also stemmed from international markets in July. New export business increased again, with growth the fastest in the series history (since 2014).

As a result, Italian service providers continued to take on additional staff in July, extending the current sequence of job creation which began in May. The latest increase in staffing

Italy Services PMI Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

levels was the fastest since late-2019 and solid overall.

The need to increase workforce numbers also stemmed from more intense capacity pressures in July, as the level of outstanding business rose for the fourth month in a row. Respondents attributed the latest increase to strong sales. That said, the rate of backlog accumulation eased to a mild pace.

Inflationary pressures intensified further in July. Cost burdens faced by Italian services firms increased for the fourteenth straight month, with the rate of inflation the most marked for nearly 13 years.

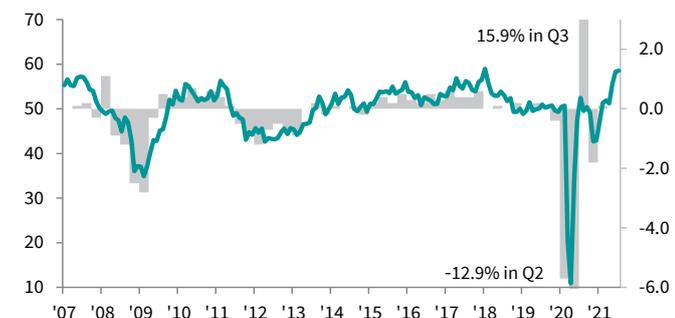
In response, companies again raised their average selling prices in July. Panellists noted that they were passing greater costs through to clients where possible to maintain margins. The rate of charge inflation was little changed at a modest pace.

Looking ahead, Italian services firms remained optimistic of higher business activity in the next 12 months. Confidence was linked through anecdotal evidence to hopes of a sustained upturn in client demand and a continued economic recovery. The level of sentiment moderated noticeably on the month, but was still elevated in the context of historical data.

## IHS MARKIT ITALY COMPOSITE PMI®

# Output growth accelerates further in July

Italy Composite PMI Output Index Gross Domestic Product (GDP)  
 sa, >50 = growth since previous month %q/qr



Sources: IHS Markit, ISTAT.

The Composite Output Index\* posted 58.6 in July, up from 58.3 in June, to signal the quickest increase in Italian private sector output since January 2018. At the sector level, the upturn was broad-based, with manufacturing growth again outpacing that for services, despite the latter seeing the quickest rate of expansion for 14 years.

Central to growth in July was a sixth consecutive monthly increase in inflows of new work. Moreover, the rate of expansion quickened on the month and was marked overall. Foreign demand also improved during July, as export orders rose at a near record pace and one that was sharp overall.

July data also pointed to sustained capacity pressures at Italian private sector firms. Backlogs increased for the fifth month in a row, with the rate of accumulation moderate, albeit the slowest since April.

Subsequently, Italian companies took on additional staff at an accelerated pace during July. The latest rise in employment was the fastest since May 2006 and sharp.

Turning to prices, July data indicated severe inflationary pressures in the Italian private sector economy. Input costs surged further, with the rate of inflation the fastest since September 2000 and the second-strongest on record. In response to greater costs, firms increased their average charges sharply, with the rate of inflation in output prices also the second quickest on record (behind May).

Finally, business confidence remained robust in July. Sentiment moderated to a six-month low, but was still historically elevated.

## COMMENT

Commenting on the PMI data, Lewis Cooper, Economist at IHS Markit said:

*"Italy's services sector continued to rebound during July, with the latest increase in services activity the strongest for 14 years. Pent-up demand continued to be released amid looser COVID-19 measures, as total new work rose at the quickest rate since late 2017, in part due to a record upturn in export demand."*

*"Service providers also took on staff at an accelerated pace in July, with many companies noting they were struggling to keep up with sales and strengthening capacity pressures."*

*"The stronger upturn in services more than offset a slightly reduced rate of manufacturing growth, with private sector output expanding at the fastest rate since January 2018 as a result. Concerns remain based around prices, as both input costs and output charges rose at near record rates in July, with goods producers continuing to see severe rates of inflation amid supply constraints and material shortages. Nonetheless, the latest data point to another strong performance of Italy's private sector economy overall, with no signs of the recovery slowing down."*

*\*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. The Italy Composite Output Index is a weighted average of the Italy Manufacturing Output Index and the Italy Services Business Activity Index.*

## CONTACT

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### IHS Markit

Lewis Cooper  
Economist  
T: +44-1491-461-019  
[lewis.cooper@ihsmarkit.com](mailto:lewis.cooper@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
T: +44 207 260 2234  
[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

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#### 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 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.

July 2021 data were collected 12-27 July 2021.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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.

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