

News Release

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S&P Global Italy Services PMI[®]

Service sector output rises solidly in May

Key findings

Slower, but still marked, uplift in new business

Rate of job creation best since July 2007

Business confidence drops to 18-month low

Italy's service sector remained firmly on a growth footing in May, according to the latest PMI[®] data. Business activity rose again amid a marked uplift in new work, although rates of growth eased slightly on the month. Nonetheless, in response to greater workloads, firms took on new staff at the fastest pace since the summer of 2007.

Concerns around the outlook intensified in May, however, linked through anecdotal evidence to the war in Ukraine and COVID-19 measures, particularly in China. The level of positive sentiment was the weakest for 18 months.

The seasonally adjusted S&P Global Italy Services PMI Business Activity Index fell from 55.7 in April to 53.7 in May, indicative of a fourth consecutive monthly rise in Italian service sector output and solid growth overall.

At the same time, inflows of new work increased again, with the latest uplift reportedly driven by strong demand conditions. Albeit slower than in April, the pace of expansion was marked and above its historical average. Foreign demand meanwhile picked up noticeably in May, with the latest rise in new export work solid and the quickest since last July.

Elsewhere, capacity pressures - as measured by backlogs data - re-emerged midway through the second quarter. Panellists cited strong demand for services as the primary driver of higher levels of outstanding business. That said, the rate of backlog accumulation was only marginal overall.

A strong pipeline of new business spurred on a further round of job creation in May, stretching the current sequence of increase to just over a year. According to respondents, firms were hiring in response to rising workloads. Moreover, the rate of job creation was the best since July 2007.

May data also pointed to further severe inflationary pressures facing Italian service providers. Average cost burdens rose for the twenty-fourth month running, with the latest increase reportedly driven by a combination of factors including

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



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

Comment

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

"May PMI data highlighted a further solid expansion in Italian services activity as new work continued to rise sharply, although the pace of growth eased on the month in both cases.

"Nonetheless, service providers took on additional staff at the best rate since mid-2007 in May amid higher workloads.

"The sustained upturn in the service sector anchored private sector expansion in May. The rate of increase eased to just a marginal pace, however, as factory production declined for the first time in two years.

"Elsewhere, inflationary headwinds remained severe, with the rates of both cost and charge inflation at the composite level holding close to recent peaks, despite easing on the month.

"Surging costs, cooling demand and the weaker expansion in private sector output took a toll on firms' confidence during May, as did concerns around the war in Ukraine, with the level of sentiment the weakest since November 2020.

"The Italian economy appears to be holding up despite multiple headwinds. That said, services remains the only bright spot and a further easing of growth momentum there, or a sustained downturn in manufacturing, is likely to pull the economy into contraction territory if those headwinds do not subside."

PMI[®]

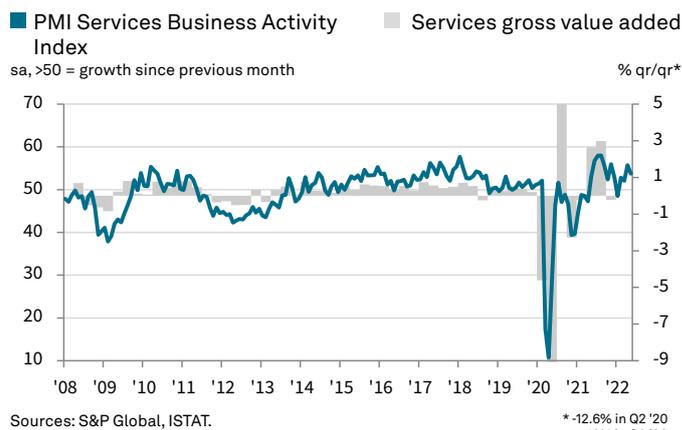
by S&P Global

greater staff, material, fuel and energy costs in addition to the war in Ukraine. The pace of cost inflation was the slowest for four-months, but prior to this point, unprecedented since the survey's inception at the start of 1998.

Consequently, average charges levied by service providers surged further in May. Firms were reportedly hiking their prices in an attempt to claw back margins due to surging cost burdens. The rate of increase eased slightly from April's peak but was nonetheless the second-steepest on record.

Finally, May data pointed to a sharp moderation in confidence at Italian services firms towards the outlook for business activity in the next year. The Future Activity Index shed nearly 5 points on the month and dropped to the lowest level since November 2020. Survey respondents cited concerns around the war in Ukraine, financial market instability, inflationary pressures, energy costs and fears of an economic downturn.

Where companies were upbeat towards the outlook, this was attributed to hopes of strong demand, in part due to the reopening of customer facing sectors and the return of international travel.



S&P Global Italy Composite PMI®

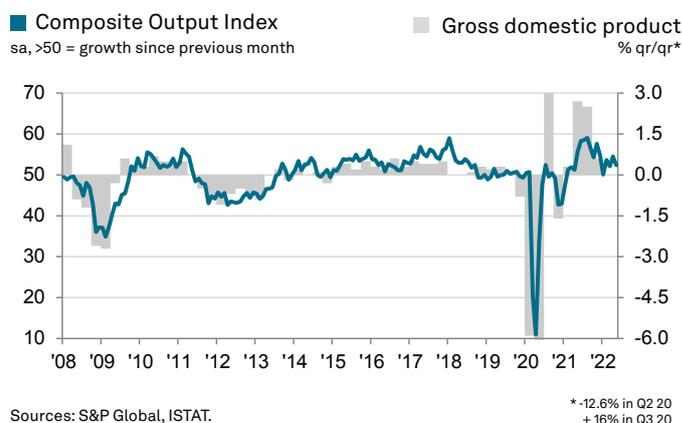
Manufacturing sector drags on growth in May

The S&P Global Italy Composite PMI Output Index* fell to 52.4 in May, down from 54.5 in April, to signal a sixteenth successive rise in Italian private sector output. At the sector level, factory production declined for the first time in two years amid ongoing supply issues and weak demand, while services output rose at a slower rate.

A similar trend was registered with respect to new orders placed with Italian firms in May, with the rate of expansion easing to a four-month low in part due to the first contraction in new export work for 18 months.

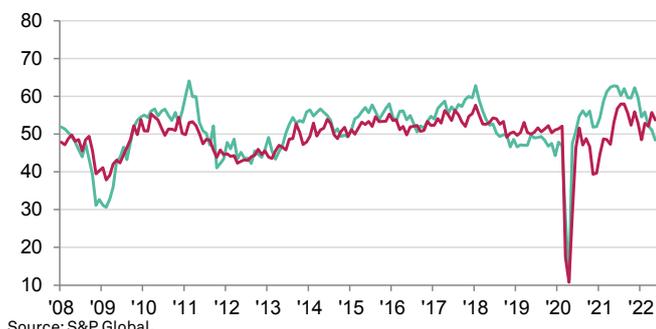
Capacity pressures continued to build in May, although the rate of backlog accumulation was the slowest since March 2021. Nonetheless, the rate of job creation at Italian firms ticked up since April and was solid overall.

On the price front, rates of both cost and charge inflation eased from recent peaks but remained amongst the strongest on record during May.



*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.

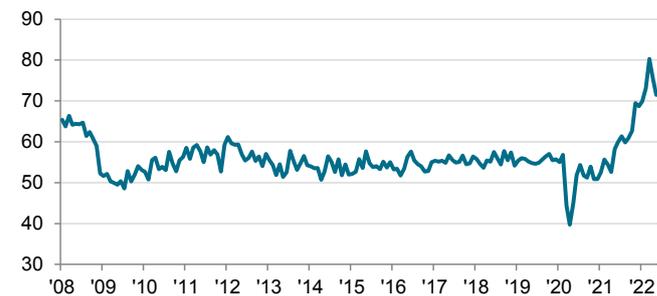
■ Manufacturing PMI Output Index
■ Services PMI Business Activity Index
 sa, >50 = growth since previous month



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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