

**EMBARGOED UNTIL: 00:01 (UTC) July 15<sup>th</sup> 2019**

# IHS Markit Italy Business Outlook

## Italian firms post greatest outlook improvement of all countries surveyed

### Key findings:

- Business activity confidence at one-year high
- Hiring outlook improves from February's five-year low
- Output price expectations at six-year low

### Data collected 12-25 June

Business confidence among Italian private sector companies has improved, according to the latest IHS Markit Italy Business Outlook survey, with optimism regarding future activity, employment and capital expenditure rising from the previous survey.

The net balance of companies forecasting an increase in activity in the coming 12 months is now +29%, up from +23% in February and the highest since June 2018. This improvement since the opening quarter is the greatest among all of the countries for which comparable data are available.

Service providers led the upturn, with the respective net balance improving to a one-year high of +30% in June.

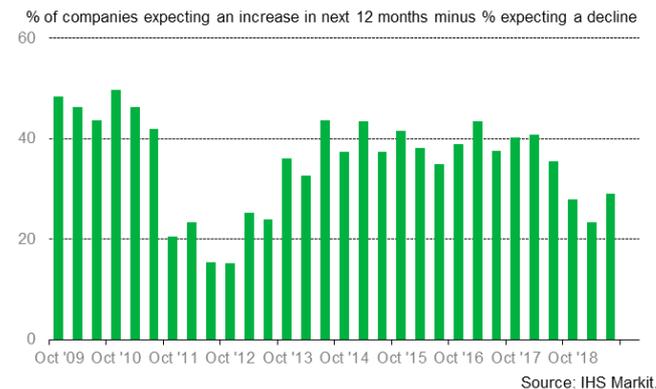
Expectations of a general improvement in internal demand, greater public investment and better utilisation of technology were all reported as reasons to be confident.

Manufacturers are also more upbeat, posting a stronger activity net balance of +28% in June, the highest since February 2018.

Predictions of rising sales activity, a recovery in foreign demand and a reduction in tax burdens were reported by manufacturers as reasons for positive sentiment.

Conversely, political instability and the increasing global trend towards trade protectionism were reported by both manufacturers and service providers as the main threats to the outlook.

### Italy business activity expectations



### Corporate earnings

The improvement in output sentiment is not reflected in the outlook for profitability. At the aggregate level, forecasts for profits are unchanged from February's net balance of +14%, remaining at the lowest since mid-2013.

However, there are divergences at the sector level, with manufacturing profit sentiment doubling to +12% in June. Service providers, meanwhile, have recorded a slight dip in profit forecasts from February, with the respective net balance easing to +15%.

### Employment & Investment Plans

The latest outlook data point to job creation being boosted by the increase in confidence for future activity. That said, the overall degree of hiring optimism remains subdued, with the net balance of +10% below that for the eurozone (+13%). Despite lifting from February, June data reveal manufacturing and service provider sentiment to be the second-lowest since February 2014 and June 2016 respectively.

June's outlook data indicate a solid improvement of Italian capex intentions, with the corresponding net balance posting +16% up from +12% in February and the joint-highest since combined Italian composite data was first collected in October 2009.

R&D spending is also expected to rise solidly, with the net balance unchanged at +13%, the highest in the euro area. Sentiment among service providers has dipped slightly to +11% from +13% in February, whilst manufacturing R&D intentions have improved to +18% from +15%.

## Inflation Expectations

A smaller proportion of Italian businesses foresee an increase in non-staff costs over the coming year than in February. At +15% in June, the corresponding net balance has dipped from +19% in the previous survey to the lowest since February 2018.

Manufacturing expectations for non-staff costs are now the lowest since early-2009. In contrast, the net balance of service companies forecasting greater non-staff costs is the second-highest since the second quarter of 2008.

Similarly, the net balance of firms expecting an increase in staff costs has dipped to +21% in June from +23% in February. At the sector level, service providers are expecting the steeper rise in salary bills.

Italian businesses intend to raise average output prices to compensate for higher costs over the next 12 months. That said, at +6%, the respective net balance is the lowest since June 2013.

## Comment:

Commenting on the Italy Business Outlook survey data, **Amritpal Virdee**, Economist at IHS Markit, said:

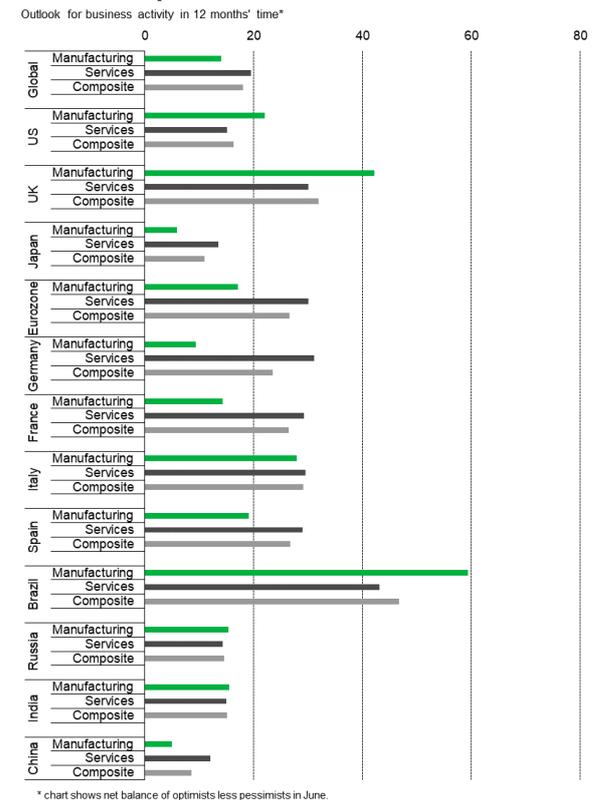
*“Italian business confidence towards future growth prospects has improved slightly since the start of the year, though sentiment remains subdued. The increase in optimism mirrors the trend seen in the eurozone, with Italian firms posting the greatest improvement of all countries for which comparable data are available.”*

*“The improvement in Italian business confidence is partly driven by the manufacturing sector, with goods producers in their most buoyant mood since February 2018. Reflecting this, manufacturing profit sentiment doubled since the start of this year and R&D plans have also been upgraded. Much of the improvement in manufacturing can be attributed to the prospect of lower tax burdens and expansion into foreign markets.”*

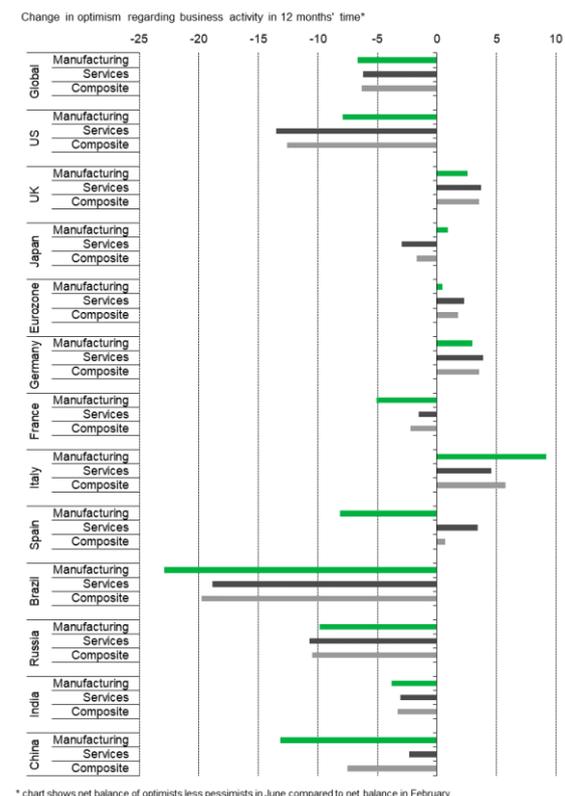
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Full data available on request from [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com)

## Business optimism in June



## How business activity expectations have changed since February



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**Notes to Editors:**

The Global Business Outlook Survey for worldwide manufacturing and services is produced by IHS Markit and is based on a survey of around 12,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October. The latest survey was conducted between 12-25 June.

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from Global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that IHS Markit operates. This methodology seeks to ensure harmonization of data, and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, fax, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0.0 signalling a neutral outlook for the coming twelve months. Values above 0.0 indicate optimism amongst companies regarding the outlook for the coming twelve months while values below 0.0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 12,000 manufacturing and services companies spread across the global economy in the countries mentioned above. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 7,000 firms.

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