

**EMBARGOED UNTIL: 00:01 (UTC) July 13<sup>th</sup> 2020**

# IHS Markit Italy Business Outlook

## Italian business optimism improves to two-year high

### Key findings:

- Business confidence strengthens across both manufacturing and services
- Profit expectations reach highest since 2018
- Firms forecast a reduction in employment

Data collected June 10- 25

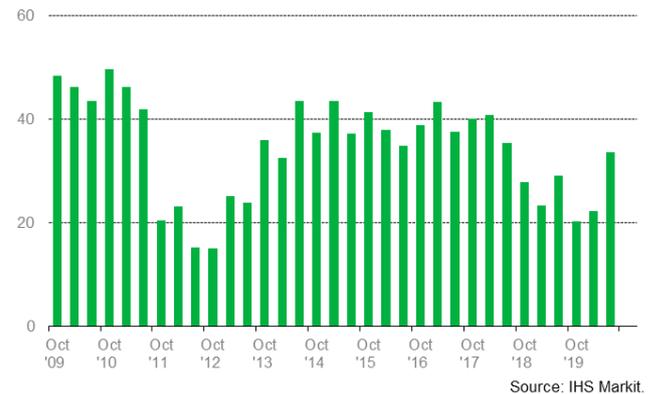
The latest IHS Markit Italy Business Outlook survey signalled improved optimism among Italian private sector firms with regards to the outlook for output over the year ahead in June, alongside improved profit forecasts.

The net balance of firms expecting a rise in business activity in June (+34%) was the highest for two years, and well above both the eurozone (+15%) and developed market averages (+16%). Moreover, across the ten monitored countries, only UK private sector firms reported stronger optimism with regards to business activity than their Italian counterparts. Confidence was linked to hopes of a global economic recovery once the coronavirus disease 2019 (COVID-19) pandemic is under control, and the improved availability of funds for investment.

That said, the impact of the coronavirus pandemic remained a threat to the 12-month outlook according to panellists. Firms mentioned fears of a second wave and renewed lockdown restrictions, travel disruptions, weak demand conditions, in addition to bankruptcy, insolvency, lack of liquidity and a recession due to the adverse economic impact of the virus.

At the sector level, both manufacturers and services firms recorded improved confidence in June when compared to February. Italian goods producers were notably more confident, however, with expectations among the most upbeat on record with a net balance of +47% anticipating a rise in activity over the coming 12 months. Nonetheless, service providers were their most confident for a year, with the net balance improving further from last October's recent low.

### Italy business activity expectations



Source: IHS Markit.

### Corporate earnings

Amid improved expectations for activity, Italian private sector firms were more optimistic of a rise in profitability over the next year in June. At +18%, up from +11% in February, the net balance of firms forecasting a rise in earnings was the highest since October 2018, with the figure contrasting with the negative eurozone aggregate (-13%) and comparing favourably with the global (+1%) average.

Moreover, Italian firms were the most upbeat with regards to profits across the six monitored countries that recorded positive expectations in June.

### Employment & Investment Plans

For the first time since 2013, Italian private sector firms registered negative employment expectations in June. A net balance of -1% showed that the proportion of firms anticipating a reduction in staff numbers over the coming 12 months outstripped those expecting a rise. June was the first time outside of the eurozone debt crisis where employment plans have turned negative. Expectations were also slightly weaker than the global (0%) average.

Sector data highlighted some divergence however, as Italian goods producers anticipate taking on additional staff, whilst services firms expect lay-offs.

Meanwhile, capital spending plans were revised down, led by a decline in service sector expectations. The net balance remained positive (+5%), but was the lowest for over six years. Nonetheless, the figure compared favourably with both the developed markets (-3%) and global (-1%) averages.

### Inflation Expectations

Staff and non-staff costs faced by Italian private sector firms are forecast to rise further over the coming year. The net balance of firms that expect an increase in non-staff costs rose slightly to +15% in June, while the balance of companies that forecast higher staff costs fell from February (+18%), but remained positive at +9% in June.

Meanwhile, the overall net balance of manufacturers and service providers anticipating an increase in selling prices was 0% in June. This was the lowest on record, and indicative of stable charges over the year ahead.

### Comment:

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

*“Italian private sector optimism towards the coming 12-months picked up considerably, with expectations climbing to a two-year high in June. With the COVID-19 pandemic brought under control and lockdown restrictions loosened, firms foresee opportunities in the form of a global economic recovery and a surge in demand. As a result, profit expectations improved, with the net balance the highest since 2018.*

*“The outlook for employment dampened the overall picture, however, with Italian firms expecting workforce numbers to decline over the coming 12 months.*

*“Fears of a “second wave” of the coronavirus pandemic and the reintroduction of lockdown measures, alongside frequent mentions of liquidity problems, company closures, a loss of clients and still muted demand conditions threaten the outlook. Substantial uncertainty surrounding the strength and longevity of the pandemic’s economic impact continues to cloud firms’ view of the medium- and long-term horizon.”*

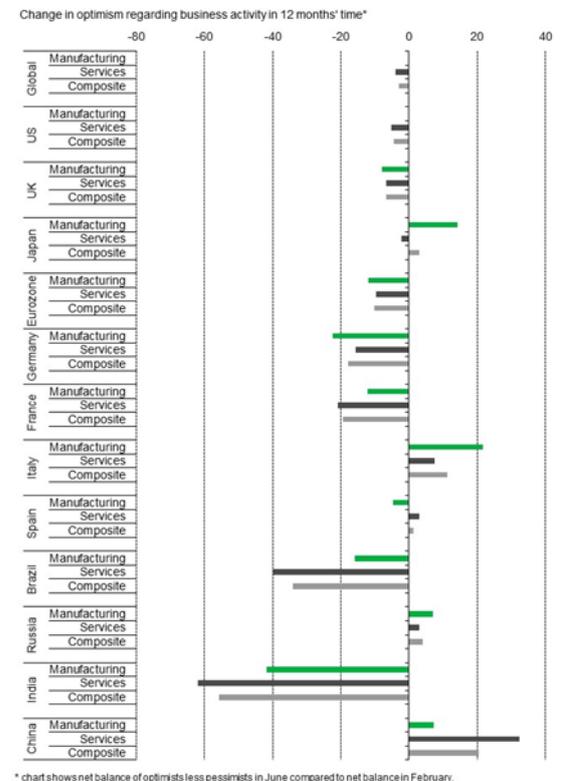
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Full data available on request from [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com)

### 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 June 10 and 29.

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, 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 signalling a neutral outlook for the coming 12 months. Values above 0 indicate optimism amongst companies regarding the outlook for the coming 12 months while values below 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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