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## IHS MARKIT ITALY SERVICES PMI®

INCLUDING IHS MARKIT ITALY COMPOSITE PMI®

### Upturn in services activity remains at 14-year high in August

#### KEY FINDINGS

New business continues to rise rapidly

Job creation extends into fourth month

Inflationary pressures ease slightly

Data were collected 12-25 August 2021.

Italy's service sector continued to expand strongly during August, according to the latest PMI® data. Services activity rose further, with the rate of increase the joint-fastest for 14 years. New business rose rapidly again, with respondents citing strong demand conditions and the resumption of international travel, while inflationary pressures eased on the month, although nonetheless remained marked.

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 – posted 58.0 in August, unchanged on July's reading, to signal a fourth successive monthly increase in Italian services output. Moreover, the rate of expansion was the joint-quickest for 14 years and marked overall.

Central to growth in August was a sustained upturn in inflows of new work to Italian service providers. New business increased for the fourth time in as many months, with the rate of growth remaining rapid, despite easing since July.

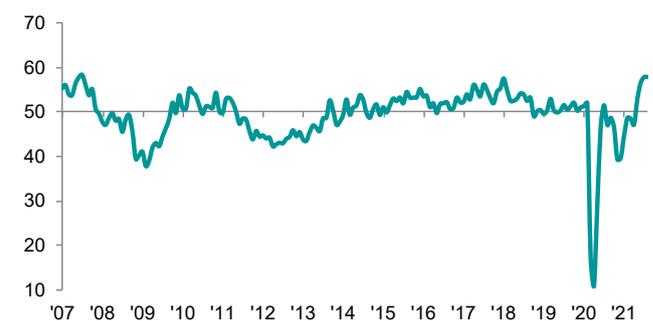
That said, the slightly reduced pace of expansion in total new business primarily reflected a broad stagnation in the level of new work from abroad during August.

At the same time, firms continued to raise their staffing levels, extending the current sequence of job creation which began in May. According to panellists, additional staff were being hired to deal with greater activity requirements and in anticipation of strong future demand.

Subsequently, the level of outstanding business at Italian

Italy Services PMI Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

service providers stabilised during August following four consecutive monthly increases.

The latest data also pointed to an easing of inflationary pressures in the Italian service sector. Cost burdens continued to rise, as has been the case in each month since June 2020. Although still rapid, the rate of inflation was the slowest for three months.

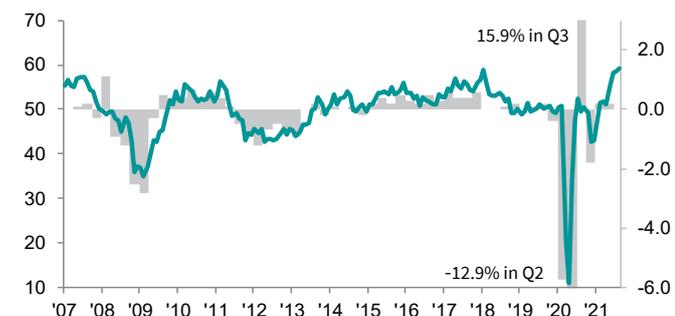
Consequently, average charges levied by Italian services firms continued to rise during August. Anecdotal evidence linked the latest increase with attempts to maintain margins by passing greater costs through to clients where possible, in part due to strong demand conditions. The rate of increase in charges was the weakest in the current four-month sequence of increase and only marginal, however.

Looking ahead, service providers maintained an optimistic outlook towards activity over the next year in August. Confidence was attributed by panellists to strong demand, government fiscal support and hopes of a solid economic recovery. That said, the level of sentiment moderated to a six-month low, with concerns surrounding the pandemic, spread of variants and potential for stricter lockdown measures noted by some respondents.

## IHS MARKIT ITALY COMPOSITE PMI®

# Output expands at quickest rate in over 15 years

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



Sources: IHS Markit, ISTAT.

The Composite Output Index\* rose to 59.1 in August, up from 58.6 in July, to signal the quickest increase in Italian private sector output since June 2006.

The upturn was broad-based across sectors, with the rate of expansion in manufacturing accelerating on the month and continuing to outpace that for services, although the latter nonetheless recorded the strongest growth for 14 years.

Central to the quicker overall rate of expansion was a further rapid rise in inflows of new work to Italian companies in August. The rate of increase was unchanged from July and among the fastest on record. Strengthening demand was also recorded with respect to foreign markets in August, as new export orders rose at the fourth-strongest pace in the series history and one that was rapid overall.

Subsequently, firms continued to increase their workforce numbers in August. Employment rose for the fourth month running with the rate of job creation solid, despite easing on the month.

Job creation was also driven, in part, by greater capacity pressures, as the level of outstanding business at Italian companies continued to increase in August. The rate of backlog accumulation did ease to a four-month low, however, and was modest overall.

Turning to prices, input costs rose steeply again in August. The rate of inflation slowed from July's near 21-year high, but was nonetheless among the quickest on record. As a result, private sector firms again upped their average charges in August, with the rate of increase sharp overall.

## COMMENT

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

*“The Italian service sector recorded another month of steep activity growth during August, with the headline Business Activity Index unchanged from July’s 14-year high. Inflows of new work rose rapidly again, amid reports of strong client demand, with the rate of increase easing only slightly due to a near stagnation in new work from abroad.”*

*“Companies continued to take on additional staff, extending the current sequence of job creation to four months, while inflationary pressures subsided slightly, but remained severe, nonetheless.”*

*“The strong services performance was met with an accelerated pace of manufacturing output growth and as a result, private sector output expanded at a pace not seen for more than 15 years. Overall, August data pointed to another stellar month for the Italian private sector economy. Inflationary pressures remain a key concern, but as yet, seem not to be hindering growth, with data showing no signs of any slowdown.”*

*\*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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#### 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.

August 2021 data were collected 12-25 August 2021.

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

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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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