

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
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## IHS Markit Italy Services PMI®

### Service sector growth weakens as business expectations falter

#### Key findings:

- Confidence lowest in over five years
- Margins under pressure as discounting continues
- Jobs growth maintained at solid rate

Data collected August 13-28

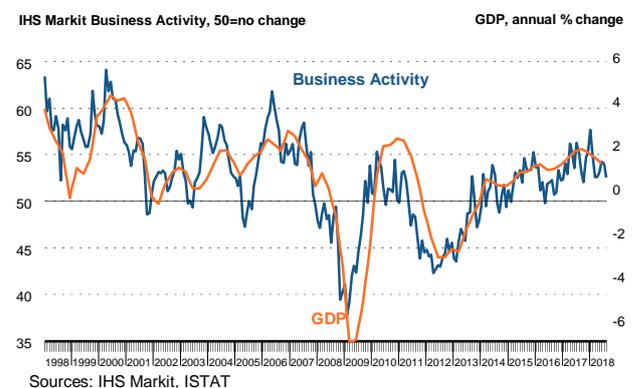
A slower increase in service sector activity was signalled during August, whilst business expectations weakened to their lowest level in over five years. New business rose at a slightly faster rate, but growth was in part driven by ongoing discounting. Margins subsequently remained under pressure, especially at a time of rising operating costs.

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 52.6 in August, down from July's 54.0. Although indicative of solid growth and extending the current period of expansion to 27 months, the latest increase in activity matched the 2018 lows seen in March and April.

Supporting the latest expansion in activity was a further increase in levels of incoming new business. Growth has now been recorded throughout the past three-and-a-half years, and panellists reported in August that sales had been underpinned by firmer market activity.

That said, the net gain in new work was in part driven by ongoing discounting amongst Italian service providers. Latest data showed that average output charges were again reduced, extending the current period of falling prices to seven months. The rate of discounting was also the sharpest since May amid reports of increasingly competitive market conditions.

#### IHS Markit Italy Services PMI



In contrast, operating expenses continued to increase during August adding to pressure on margins. Employment and transport costs were reported to have risen since July, although the net increase in overall input prices was the slowest recorded by the survey since March.

Meanwhile, jobs continued to be added in the Italian service sector during August. Growth was solid and extended the current period of expansion to just under two years. Service sector companies reported that job creation was driven by higher workloads. This was reflected by a slight increase in backlogs of work during August, signalling a return to growth following July's marginal contraction.

Finally, business confidence regarding future activity sank in August to its lowest level since June 2013. Although nearly 25% of the survey panel indicated positive growth expectations, around 7% of companies anticipate a contraction. The subdued outlook was linked by respondents to the recent slowing of wider economic growth, concerns over the direction of government policy and ongoing difficulties accessing credit to fund investment.

## Comment:

Paul Smith, Economics Director at IHS Markit which compiles the *Italy Services PMI*® survey, said:

*“Although growth was sustained during August, a weaker gain in service sector activity combined with a fall in manufacturing output meant Italy’s private sector economy endured its worst month of growth for nearly two years.*

*“Moreover, whilst order books are expanding, they do so at a relatively modest rate, and are being supported by ongoing discounting.*

*“And with confidence amongst firms ebbing away, undermined by geo-political trade frictions, concerns over future government policies and difficulties in accessing credit for investment, near-term growth prospects are subdued.*

*“Indeed, at current levels, PMI data are pointing to a broad stagnation of overall economic output in the third quarter of 2018.”*

-Ends-

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## Notes to Editors:

The Italy Services PMI® (Purchasing Managers’ Index®) is produced by IHS Markit. The report features original survey data collected from a representative panel of around 400 companies based in the Italian service sector.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the ‘Report’ shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the ‘diffusion’ index. This index is the sum of the positive responses plus a half of those responding ‘the same’.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The *Purchasing Managers’ Index*® (*PMI*®) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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