

## IHS MARKIT ITALY SERVICES PMI®

INCLUDING IHS MARKIT ITALY COMPOSITE PMI®

### Service sector activity unchanged in May

#### KEY FINDINGS

New business declines for second time in four months

Employment growth quickens

Output charges decline for sixth month in a row

Business activity among Italian service providers failed to register an increase during May, as inflows of new business declined for the second time in the past four months. In contrast to the weaker readings for business activity and new orders, service sector job creation quickened in pace from April. On the price front, output charges fell for the sixth month in a row as panellists sought to stimulate customer demand.

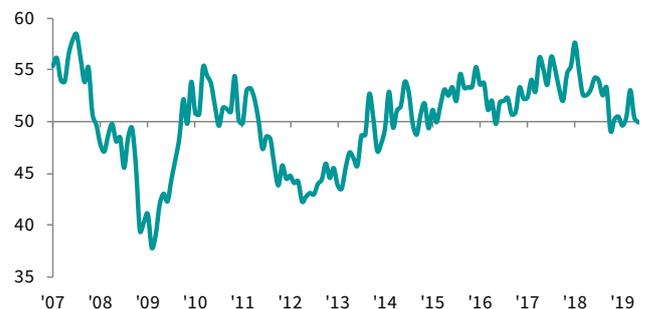
The headline index from the report, the seasonally adjusted Business Activity Index – which is based on a single question asking respondents to report on the actual change in business activity at their companies compared to one month ago – registered 50.0 in May, down from 50.4 in April and signalled no-change in Italian service sector activity. The stagnation followed three consecutive months of growth.

Underpinning the weaker reading for business activity was a contraction in new business growth. Inflows of new work contracted for the second time in the past four months and at the fastest pace since January 2015. Moreover, new export business among Italian service providers declined for the tenth time in the past eleven months, amid reports of a reduction in orders from customers based in the US and UK.

Work outstanding among Italian service providers declined for the fourth time in the past five months during May. Moreover, the rate of backlog depletion was solid and the fastest since the start of 2019. Anecdotal evidence from panellists indicated that, due to receiving fewer customer orders, they were able to catch up on incomplete business.

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

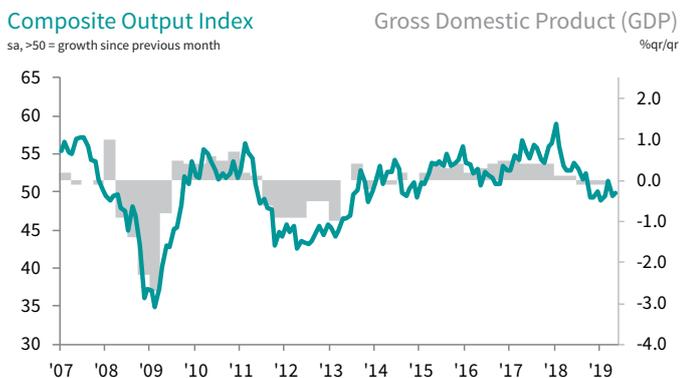
On the employment front, Italian service providers took on additional staff for the fourth month running during May. Moreover, despite being modest, the rate of job creation quickened from April.

Input prices continued to rise sharply in May, amid reports of greater staffing and fuel costs. Despite this, the rate of inflation eased to a five-month low. In line with the softer rise in cost burdens, selling prices among Italian service providers declined for the sixth consecutive month. Moreover, the pace of reduction was solid and the fastest in four months, reflective of efforts to stimulate customer demand and keep up with competitors.

Looking ahead, sentiment among Italian service providers was broadly unchanged in May. Just over 35% of panellists were confident of a rise in business activity from present levels in 12 months' time against exactly 10% that predict a fall. Expectations of greater customer demand, better marketing initiatives and investments in new product offerings were cited as reasons to be optimistic.

## IHS MARKIT ITALY COMPOSITE PMI®

## Output fails to grow for sixth time in the past eight months



The Composite Output Index\* posted at 49.9 in May, up from 49.5 in April and signalling the sixth time in the past eight months that Italian private sector output has failed to grow. That said, May's decline was negligible and slower than that observed in April.

Central to the softer downturn was a less marked contraction in manufacturing output, which eased to a marginal pace in May. Meanwhile, service providers indicated no-change in business activity from April.

In line with the trend for output, inflows of new business fell for the first time since February. Both manufacturers and service providers recorded a decline in order books during May. Export sales, meanwhile, recorded their eighth reduction in the past ten months.

A contraction in new business enabled firms to work through their backlogs during May. Work outstanding fell for the eleventh consecutive month and at the fastest pace in four months.

Employment growth eased in May on the back of weaker manufacturing job creation, which was marginal. Nonetheless, headcounts have now risen on a monthly basis since February.

Input price inflation eased to a 31-month low during May, driven by a notable slowdown in manufacturing purchasing cost growth. Output charges declined for the sixth month in a row and at the fastest pace since the start of 2019.

Optimism regarding output in 12 months' time improved during May. Manufacturers were especially more confident, whilst service providers' optimism was broadly unchanged from April.

### COMMENT

Commenting on the PMI data, Amritpal Virdee, Economist at IHS Markit said:

*"Latest PMI data for May showed business activity in the Italian service sector remain unchanged from April. Worryingly, the recently weaker demand backdrop fed through to declines in both overall new orders and export sales, indicating that the under-performance of the services economy could become entrenched.*

*"Indeed, overall market conditions for Italian service providers remain turbulent, with demand from both domestic and overseas markets teetering between contraction and marginal growth.*

*"However, with the easing of cost inflation and subsequent downward pressure on output charges, space could be created to stimulate additional inflows of business and lift activity in the coming months."*

*\*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.*

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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.

May 2019 data were collected 13-28 May 2019.

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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. To learn more go to [ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html).

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