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## IHS MARKIT ITALY SERVICES PMI®

INCLUDING IHS MARKIT ITALY COMPOSITE PMI®

### Marginal increase in service sector activity during August

#### KEY FINDINGS

Growth of overall new business eases from July

Selling prices fall for eighth time in the past nine months

Business confidence at one-year low

Italian service providers registered a marginal increase in business activity during August as a further contraction in new work from abroad was recorded. Moreover, overall new business expanded marginally, with the rate of growth easing from July. On the price front, output charges fell for the eighth time in the past nine months as panellists responded to competitive market pressures.

Meanwhile, amid concerns over a slowing economy, sentiment towards activity over the coming year declined to a one-year low.

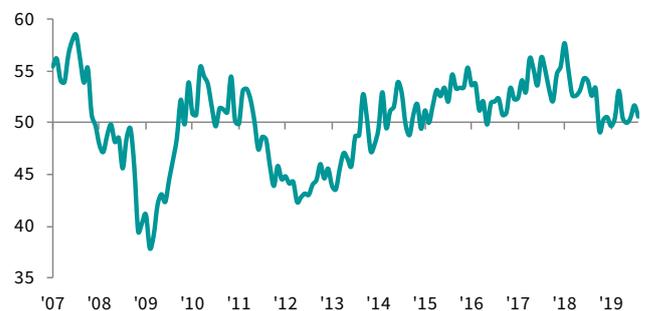
The headline index from the report, the seasonally adjusted Business Activity Index – which is based on a single question asking respondents to report on the actual change in business activity at their companies compared to one month ago – registered 50.6 in August, down from 51.7 in July and signalled a marginal increase in Italian service sector activity.

Central to the softer increase in business activity was a slower improvement in demand. Inflows of total new orders expanded for the third month running, but the rate of increase was slight and eased from July's four-month high.

Meanwhile, new export business among Italian service providers declined for the second month in a row, amid reports of weaker automotive export sales.

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

On the employment front, Italian service providers continued to take on additional staff during August. The rate of job creation was solid and matched that seen in July. Anecdotal evidence from panellists attributed the rise in headcounts to higher activity requirements.

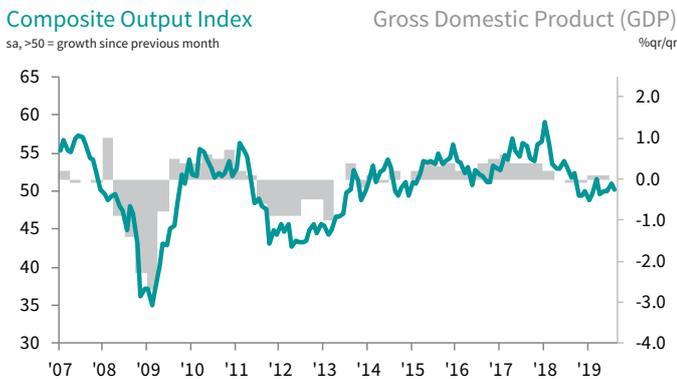
Work outstanding declined for the sixth time in the past eight months during August. Moreover, the rate of backlog depletion was steep and the fastest since March 2016.

In an attempt by panellists to boost sales and keep up with discounting efforts of competitors, selling prices declined in August. That said, the rate of decrease was marginal and contrasted with a slight rise of selling prices observed in July. In contrast, input cost inflation quickened to the fastest in five months. Where input prices rose, panellists mentioned increases in food and energy costs.

Sentiment among Italian service providers declined to a one-year low during August. That said, the overall degree of optimism was positive, nonetheless. Exactly 27% of panellists were confident of a rise in business activity over the coming year, with greater sales activity and improved marketing efforts cited as reasons to be optimistic.

## IHS MARKIT ITALY COMPOSITE PMI®

## Output expands for third month in a row



The Composite Output Index\* posted at 50.3 in August, down from 51.0 in July and signalling the third consecutive monthly expansion in Italian private sector output. That said, the rate of output growth was marginal and slower than the long-run series average.

Underpinning the slight expansion of the Italian economy was a weakening of service sector activity growth, which eased from July. The softer rise in service activity outweighed a slower contraction in manufacturing output, which declined for the thirteenth consecutive month.

For the third time in the past four months, inflows of total new business contracted. At the sector level, a faster contraction in manufacturing order book volumes offset a slight rise in service sector sales. Despite being marginal, the pace of contraction in private sector new business was the fastest since May. Export sales, meanwhile, fell for the fourth month running, though the rate of decrease was the least marked in three months.

Falling levels of new business enabled firms to work through their backlogs. The rate of backlog depletion was steep and the fastest since December 2014. Work outstanding in the Italian economy has decreased on a monthly basis since July 2018.

On the employment front, Italian private sector workforce numbers increased modestly and at a quicker pace than in July. Manufacturers reduced their headcounts at the slowest pace in three months, whilst service providers took on additional staff at the same rate as in July.

Input price inflation quickened to a four-month high, amid the first increase in manufacturing purchasing costs since May. In contrast, output charges declined for the second month in a row and at a slightly faster pace than in July.

Optimism regarding output in the year ahead dropped to a one-year low during August. Manufacturers and service providers were the least confident in four and 12 months, respectively.

### COMMENT

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

*"Italian service sector business activity rose again in August, according to the latest survey data. However, the rate of expansion was marginal and signals an economy at a virtual standstill."*

*"As evident across the eurozone, weaker export conditions dragged down overall demand, which in turn pressured businesses into making a further reduction to their charges."*

*"A solid rise in employment was the sole brightspot of the survey, but expectations for a notable turnaround in present conditions remain muted, with business confidence sinking to a one-year low."*

*\*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.

August 2019 data were collected 12-27 August 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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