

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit Italy Services PMI[®]

Service sector growth remains strong despite easing in August

Key findings:

- Growth slows slightly from July's ten-year high
- Job creation at eight-month low as future expectations wane
- Output prices hold broadly steady following six years of decline

Data collected August 11-25

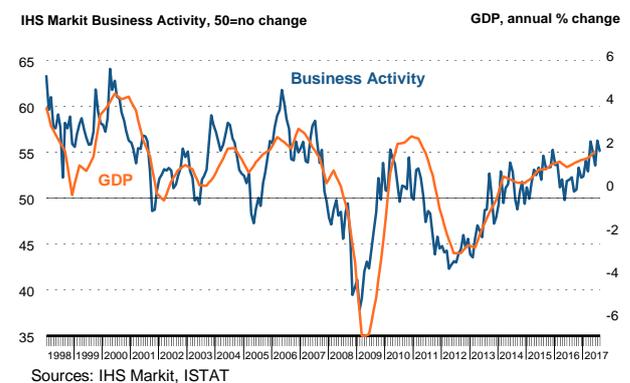
Italy's service sector recorded another robust increase in business activity in August, despite the rate of growth easing from the ten-year high seen in July. Employment rose accordingly as firms looked to meet higher demand, although the pace of job creation was at an eight-month low amid a weakening of firms' expectations towards future activity.

The headline seasonally adjusted IHS Markit 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 a reading of 55.1 in August, down from July's ten-year high of 56.3. Despite having eased slightly, the rate of growth in tertiary sector business activity remained strong overall and among the fastest seen since 2007.

Activity rose on a broad-based basis by sub-sector, led by a steep expansion among Post & Telecommunications firms. Hotels & Restaurants remained the weakest performer, although its drag on overall growth decreased from the month before.

Higher business activity in August was supported by a rise in the level of new work received by service providers. Similar to the trend seen in overall business activity, growth of order books eased since July but remained strong overall.

IHS Markit Italy Services PMI



The amount of outstanding business among services firms rose for a survey-record eleventh successive month in August. The rate of backlog accumulation was solid and little-changed from that recorded in the preceding survey period.

Stronger underlying demand and the associated rise in incomplete orders led services firms to take on additional staff during August – the eleventh month running in which this has been the case. The extent to which employment rose, however, was only modest and the least marked since last December.

The slower increase in workforce numbers partly reflected a weakening of business confidence towards future performance. Although remaining positive overall, forecasts for the year ahead were scaled back for the third month in a row to the lowest since January.

Elsewhere, August's survey indicated an increase in input prices faced by Italian services firms. The rate of cost inflation picked up slightly since July but remained below the long-run series average.

Average prices charged by service providers meanwhile remained broadly unchanged, with firms reluctant to pass on higher costs to clients due to competitive pressures. This followed a six-year period of continuously falling charges.

Comment:

Phil Smith, Principal Economist at IHS Markit which compiles the *Italy Services PMI*® survey, said:

“The service sector maintained most of its growth momentum in August, following up July’s decade-high expansion in business activity with another solid monthly gain. Alongside the month’s strong manufacturing numbers, this means that GDP is on course to rise for an eleventh consecutive quarter in Q3.

“August’s employment figures disappointed, however, showing the slowest pace of job creation in the year so far, and one that is unlikely to lead to a significant reduction in Italy’s still-high unemployment rate.”

-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.

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