

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
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## IHS Markit Italy Services PMI<sup>®</sup>

### Services activity growth hits ten-year high in July

#### Key findings:

- Business activity driven higher by surge in new work
- Pace of job creation picks up slightly but remains moderate
- Services firms continue to trim output prices amid slower cost inflation

Data collected July 12-26

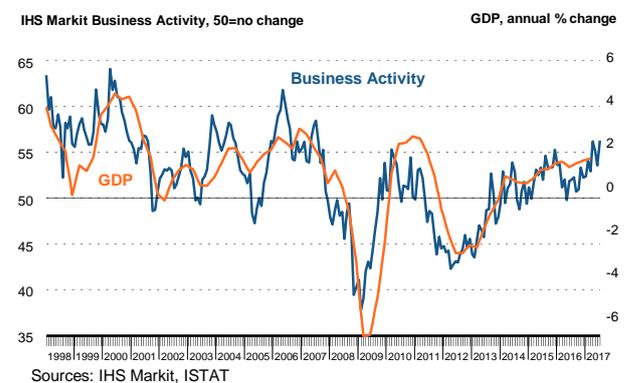
Growth of business activity in Italy's service sector reached a ten-year high in July, according to the latest IHS Markit *PMI*<sup>®</sup> survey. The driving force behind the upturn was a surge in the level of new business, which in turn supported ongoing job creation across the sector. Price pressures meanwhile remained subdued, with output charges among services firms falling slightly as they faced a further slowdown in the rate of input cost inflation.

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 – rose for the first time in three months in July, rebounding to 56.3 from 53.6 in June. This was the highest reading in ten years, and it was indicative of a strong rate of growth of tertiary sector output.

Post & Telecommunications and Financial Intermediation were the two best-performing sub-sectors, while Hotels & Restaurants recorded the only decrease in business activity.

The strong growth performance in July reflected a pick-up in underlying demand, with service providers recording the steepest increase in new business since mid-2006. Survey respondents commented on improving market conditions, new client acquisitions and demand from other European countries.

#### IHS Markit Italy Services PMI



The surge in order books resulted in increased pressure on capacity and resources, which was evidenced by a tenth straight monthly rise in backlogs of work – an ongoing record. The rate of accumulation was the sharpest seen since April.

Growing workplace activity meanwhile continued to translate into the creation of new jobs. The rate of increase in service sector employment picked up from the modest pace seen throughout May and June, though it remained shy of March's recent peak.

Business confidence among service providers waned slightly at the start of the third quarter. Firms generally remained optimistic about growth prospects in the year ahead, alluding to a recovering market, potential new products and services and rising investment. That said, the overall degree of optimism signalled was the lowest for six months.

On the price front, competitive pressures and ongoing efforts to encourage new business led to a further modest drop in average output charges. Costs faced by services firms, on the other hand, continued to increase, though the rate of input price inflation eased for a second month running and was below the historical average. Salaries were highlighted by businesses as one of the main drivers of higher costs.

## Comment:

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

*“Italy’s services economy moved up a gear in July, with the PMI rebounding sharply to show growth of business activity at a ten-year high. What’s particularly encouraging is the backdrop of strengthening demand, with new orders rising sharply and indicating that the upturn has substance.*

*“After growth had slowed in the previous two months, this pick-up offers reassurance that the current expansionary phase still has time to run. Though, it must be said that business confidence about the year-ahead outlook has started to wane – across both manufacturing and services.*

*“Elsewhere, the survey showed ongoing moderate job creation across the economy and falling price pressures, both supportive factors for household spending.”*

-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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## About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 30 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 <http://www.markit.com/product/pmi>.

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