

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

Italian service sector registers faster growth in September

Key findings:

- Activity and new orders up at stronger rates
- Employment growth also improves
- Input prices rise at strongest pace since May 2015

Data collected September 12-25

Italy's service sector turned in a solid performance during September, registering growth in activity, new business and employment. Moreover, rates of expansion were stronger in all cases. Business confidence was also slightly higher as firms signalled plans for new investment over the coming 12 months.

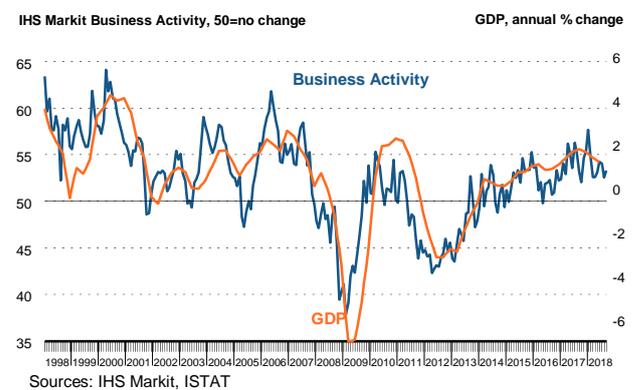
Less positive was an intensification of price pressures, with latest data showing the strongest cost inflation for over three years. However, competitive pressures meant that output charges were again slightly down.

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 53.3 in September. That was up from August's 52.6 and meant the current period of growth now extends to 28 months.

Supporting the latest solid upturn in activity was a similar sized increase in new business. Latest data indicated that growth in new work was the strongest recorded by the survey in three months amid reports of firmer underlying market demand.

Capacity pressures remained mild during the latest survey period. Backlogs of work increased slightly in September, marking a second consecutive month of growth. There were reports from panellists that the latest rise in new business had pushed up overall workloads at their units.

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A number of service providers responded by raising employment. Growth in staffing numbers was again solid, improving since August to reach its highest level since May. The current run of continuous employment gains now extends to two years, with several companies reporting that jobs had been added in line with positive projections for growth.

On that front, business expectations remained positive. Over 30% of the survey panel forecast an improvement in activity from present levels in 12 months' time. Panellists linked their confidence to planned rises in investment and forecasts of further demand (and sales) gains over the coming year.

Finally, input price pressures intensified during the latest survey period. Companies reported that the price of fuel and transport-related services had risen and were a key factor behind the strongest increase in operating costs since May 2015. In contrast, pricing power remained muted amid reports of ongoing competitive pressures. Latest data indicated that output charges were reduced (albeit only slightly) for a second successive month in September.

Comment:

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

“Italy’s service sector recorded a stronger performance during September, with firmer gains recorded in the key macroeconomic health barometers of output and employment.

“Whilst encouraging on the one hand, growth rates remain well down on those seen around the turn of the year. Moreover, Italy presently finds itself reliant on the services sector to drive overall economic expansion following the slowdown through 2018 to date and eventual stagnation in September of the manufacturing economy.

“Given the underperformance of Italian domestic demand in recent years, undermined by still high unemployment and depressed real incomes, it is presently hard to see economic growth picking up in heading into 2019.

“Indeed, the PMI data are consistent with GDP rising by just 0.1-0.2% in the third quarter of the year, with forward looking indicators from the surveys pointing to the continuation of marginal growth at best in Q4.”

-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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