

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

### Solid expansion of service sector, but confidence hits near two-year low

#### Key findings:

- Growth of new business and activity sustained
- Margins under pressure as operating expenses rise but charges fall
- Optimism slumps to lowest level since July 2016

Data collected May 11-25

Italy's service sector continued to expand during May, and at a slightly faster rate, as new business rose at a solid clip. Firms took on extra staff in an attempt to keep on top of workloads, but operating expenses continued to increase markedly and output charges fell further.

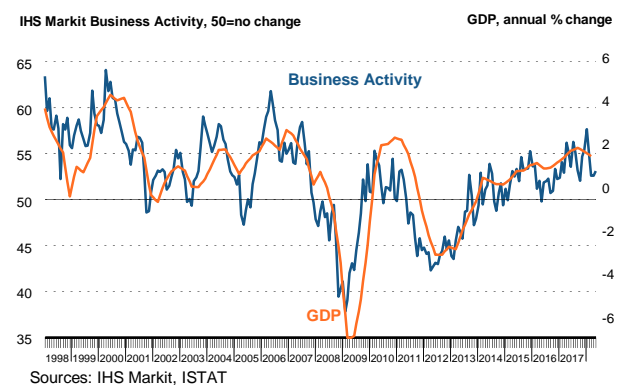
Meanwhile, business confidence softened to its lowest level in nearly two years amid worries over the underlying trend in activity growth.

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 – posted 53.1 in May. That was up from 52.6 in April, though remained much lower than levels seen around the turn of the year.

A similar trend was observed for new business, with growth remaining solid but softer than rates seen in late 2017/early 2018. The introduction of new services plus stronger demand was reported to have supported sales wins, and growth has now been registered in consecutive months since March 2015. A number of companies noted that demand from abroad was a little softer and had weighed on overall new business wins.

Latest data showed that workloads were sufficient to test capacity at their units. Levels of work outstanding rose at the fastest rate for 10 months, with internal bottlenecks and higher demand reportedly leading to delays and backlogs rising.

#### IHS Markit Italy Services PMI



With resources stretched, service providers took on additional staff in May. Growth was again solid and has now been recorded in each month since October 2016.

With more staff being taken on, panellists reported a concurrent increase in their operating expenses. Increased fuel prices were also reported by companies to have to added to their cost burdens. Overall input prices rose markedly during the month and have now been increasing continuously since August 2009.

Service providers were generally unable to pass on their higher costs to clients during the latest survey period. May data showed a fall in output charges for a fourth consecutive month as competitive pressures weighed on pricing power.

Finally, business expectations remained in positive territory during May as panellists predicted higher demand and rewards from past investments. However, some concern over the recent trend in activity growth, plus worries over political instability, meant confidence was at its lowest level since July 2016.

## Comment:

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

*“Although continuing to grow in May, the latest PMI data confirm that the Italian private sector economy has clearly moved down a gear heading into summer. This is partly driven by a softening economic climate abroad, but also ongoing domestic demand weakness.*

*“Moreover, confidence amongst service providers sank to its lowest level in nearly two years amid ongoing political instability and concerns that the recent downward growth trend will continue.*

*“With political difficulties ongoing and the appetite of investors for Italian debt and stocks clearly waning, risks to economic performance seem firmly skewed to the downside.”*

-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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