

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

Service sector upturn eases at end of second quarter

Key findings:

- Business activity rises at slowest rate for three months in June
- Order book growth continues to drive job creation
- Prices charged continue to edge lower despite solid cost pressures

Data collected June 12-27

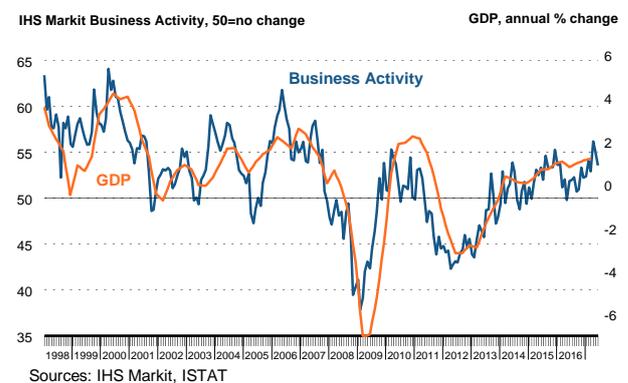
Italy's service sector saw its recent upturn lose momentum in June, as business activity growth eased further from a near ten-year high in April to the slowest rate for three months, according to the latest IHS Markit *PMI*[®] survey. Order books continued to grow strongly, however, and employment also rose amid sustained pressure on capacity.

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 – dipped to a three-month low of 53.6 in June, down from 55.1 in May. The latest reading was nevertheless consistent with a solid rate of expansion overall, and average growth over the second quarter as a whole was the strongest seen in almost ten years.

Moreover, the increase in activity was broad-based, with Hotels & Restaurants the only sub-sector to register a downturn. The best performers were Post & Telecommunications and Transport & Storage.

June data pointed to a backdrop of supportive demand conditions, with businesses reporting sustained strong growth in new orders. The pace of expansion in new work remained close to the fastest seen since 2007. This was reflected in a further increase in the level of outstanding business among services firms, the ninth in as many months.

IHS Markit Italy Services PMI



Companies continued to take on new staff during June to meet the increase in workplace activity. The rate of job creation barely picked up from the modest pace seen in May, however, and remained below the recent peak reached at the end of the first quarter.

Cost pressures in the service sector remained solid, according to June's survey. Average input prices increased at the second-fastest rate in the past 12 months, just behind May's recent peak.

Competitive pressures meant that, instead of passing the burden of higher costs on to clients, services firms reduced their average prices charged. That said, the rate of decrease matched the marginal pace seen in May and was among the slowest recorded over the current near six-year sequence of declining prices.

Finally, June's survey showed strongly positive sentiment among services firms towards future growth prospects, linked to planned investments, increasing market activity and growing sales efforts. Almost ten times as many firms reported that they expect activity to increase in the next 12 months as those anticipating a fall, though the resulting degree of optimism was down slightly since May.

Comment:

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

“The Italian services economy has seen its strongest quarterly performance for almost ten years in the three months to June, despite the upturn losing some momentum in the past couple of months.

“Growth in business activity was at a three-month low in June, and job creation was also running below the levels reached earlier in the year. But strongly rising inflows of new business point to firm underlying demand and suggest that the slowdown is unlikely to turn into stagnation, at least in the near-term.

“The latest survey data also confirmed the absence of any serious inflationary pressures, with prices charged for goods and services rising at the slowest rate for four months in June.”

-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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