ECONOMIC PULSE

ITALY: CONFIDENCE SPREADS ACROSS THE COUNTRY, AS DO COVID-19 VARIANTS

The Pulse continues to improve reflecting both a genuine economic rebound and positive base effects arising from the drop-off in activity in H1 2020. Base effects were especially strong in industrial production and retail sales, which in April were still below the year-end 2019 levels.
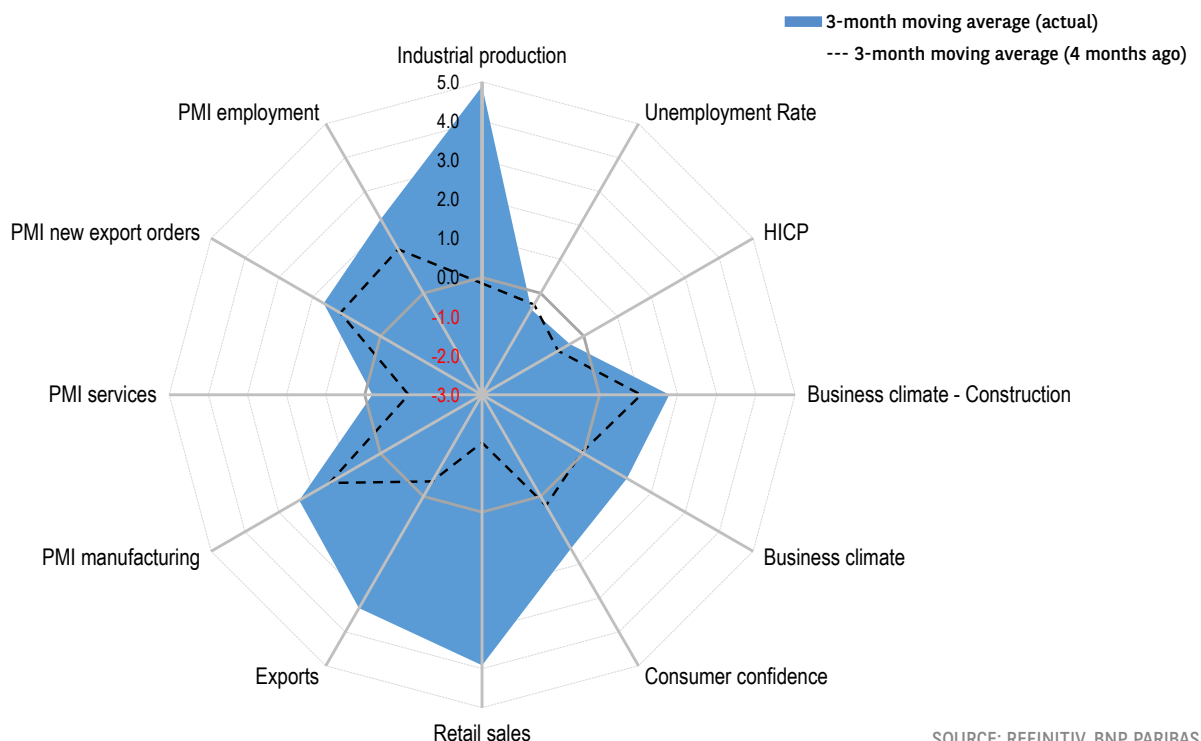
Despite the rapid spread of Covid-19 variants across the country (17% of new cases in June, up from 4% in May), the health situation remains under control for the moment. The number of cases fell below the threshold of 15 cases per 100,000 inhabitants at the end of June, which is one of the lowest rates in Europe. The curfew in the Aosta Valley – the last region where the restrictive measure was still in place – was removed on 28 June. The gradual lifting of anti-Covid measures coincides with a net upturn in optimism among businesses and households. The PMI manufacturing index remained at a very high level in June (62.2), while the European Commission's consumer confidence index had risen to its highest level since October 2018.

However, households' unemployment expectations over the next twelve months deteriorated slightly in June, according to the European Commission survey. Indeed, the latest employment data are mixed: although employment rose slightly in May (+0.2% m/m), it was still far below the level observed in early 2020. Note, however, that Istat does not include short-time or furloughed workers in the employed category, unlike statistical agencies in France and Spain, for example. Italy's unemployment rate fell slightly in May to 10.5%.

In a generally more favourable health and economic environment, the Draghi government is seeking the right pace for a gradual removal of State aid without disrupting the economic recovery. In this respect, the ban on firing workers due to "Covid-19", introduced in February 2020, was lifted last week (30 June) in the industry and construction sectors, where activity has more or less returned to normal.

Guillaume Derrien

ITALY: QUARTERLY CHANGES

■ 3-month moving average (actual)
--- 3-month moving average (4 months ago)

SOURCE: REFINITIV, BNP PARIBAS

The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -3 and +5. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.

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