# ECONOMIC PULSE

## ITALY : ECONOMIC ACTIVITY REBOUNDS, BUT EMPLOYMENT CONTINUES TO FALL

Italian economic activity started to recover in May, in line with the easing in lockdown restrictions. Our barometer should therefore steadily improved over the summer, although it remains downbeat. Real retail sales rose 25.4% m/m in May, but the 3-month moving average continued to decline, hitting a new all-time low. Industrial production followed a similar trend. The improvement in the survey data was also mixed in June. The composite purchasing managers index (PMI) rose strongly (+13.7 points), but it remains in contraction territory. The European Commission's economic sentiment indicator (for Italy) continues to hover near the lows reported during the 2008-2009 financial crisis.

During the summer, the economic recovery will be supported by an improvement in external demand, but the latter could be very sluggish, depending on the evolution of the pandemic. In May, Italian exports were still 27% below their level in February.

The job market will deteriorate in the months ahead. The unemployment rate rebounded in May, rising from 6.6% to 7.8%. This is partly due to the reopening of employment agencies and increased unemployment registrations, leading to more job seekers flowing back to the active population. The unemployment rate should continue to climb in the coming weeks, regardless of the extension of job retention programmes. Employment declined again in May (-83,970 jobs or -0.4%) to the lowest level since August 2016. Employment has fallen by a record of 538,380 since March, a drop of 2.3%.

The downturn in the job market will further weigh on Italian public finances, which could worsen in the long run given the country's demographic trends. According to a recent Istat report, the number of births in Italy hit a historic low in 2019 (the lowest since 1918) and the population has declined by 551,000 in five years. Furthermore, the number of pensioners has risen this year above the number of payroll employees.

**Guillaume Derrien**

### QUARTERLY CHANGES



■ 3-month moving average (actual)
--- 3-month moving average (4 months ago)
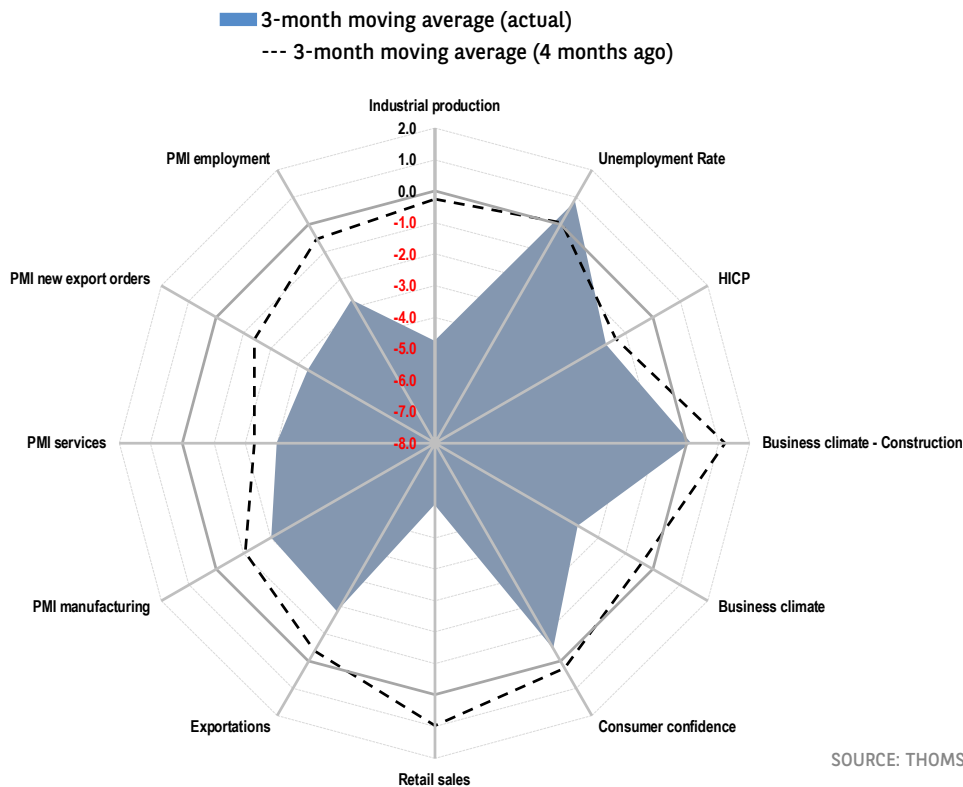
SOURCE: THOMSON REUTERS, BNP PARIBAS

*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 -8 and +2. 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.*

**BNP PARIBAS**

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