

ECONOMIC PULSE

ITALY: ECONOMIC AND HEALTH IMPROVEMENTS CONTINUE

The Italian economy is continuing to improve, as shown in the latest gains in our Pulse. Industrial activity, which had already enjoyed a significant upturn over the winter, strengthened further this spring: the manufacturing PMI reached 60.7 in April, the best reading on record. The index of 'new export orders' in manufacturing remained historically high, at 60.2, underpinned by the marked recovery in global trade. The merchant services sector remains disrupted – the related PMI was still below the threshold of 50 in April – but is likely to rebound strongly thanks to the noticeable improvement in the health situation in the country and the continued lifting of lockdown measures (planned until 21 June). Since 24 May, all Italian regions have moved below the threshold indicating moderate epidemic risk (orange zone), whilst on a national level, the number of daily new coronavirus cases has fallen below 70 per 100,000 inhabitants.

Uncertainty now turns to the tourist season ahead. Much is at stake in Italy, similarly to other European economies that are highly dependent on this sector. Before the pandemic, the tourism industry

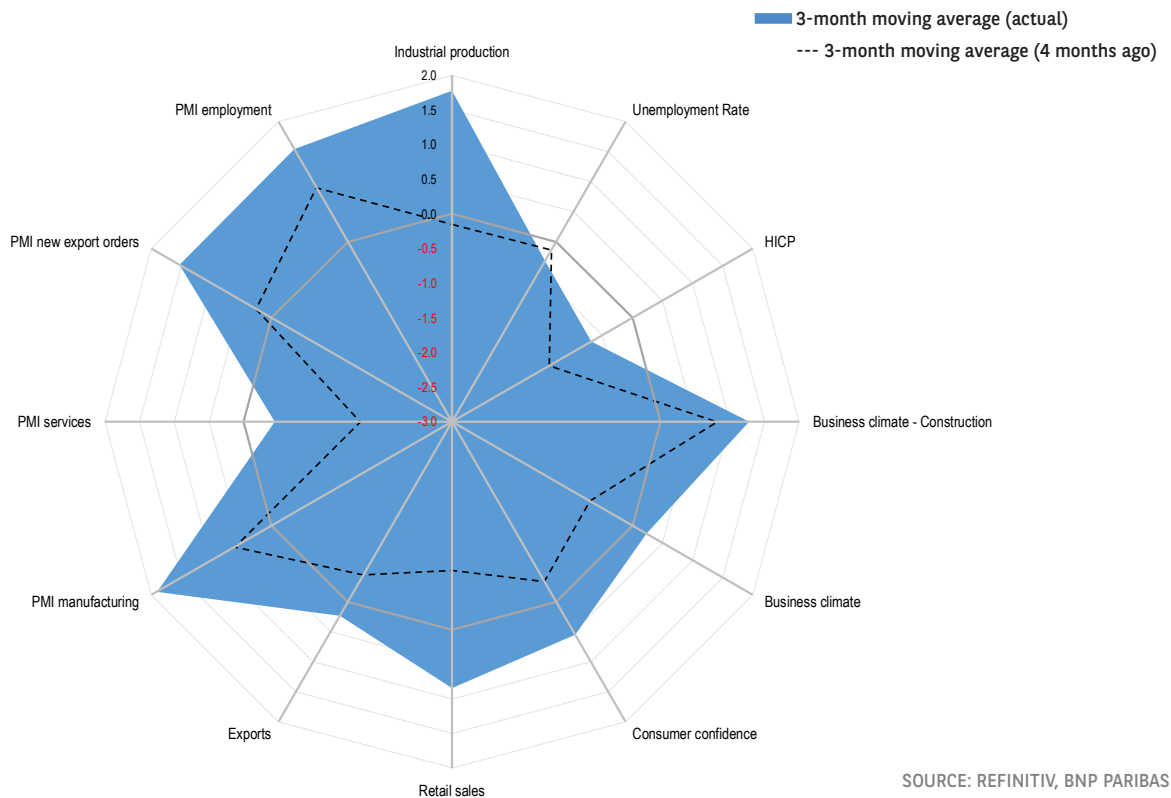
in Italy generated more than 4 million direct and indirect jobs (source: Eurostat). A recovery in this sector would drive private consumption higher. Retail sales in Q1 2021 were still well below pre-Covid-19 levels. This said, purchases of durable goods have bounced back more significantly. New car sales rose further in April, climbing to their highest level in two years¹.

Lastly, inflation in Italy is rising more slowly than elsewhere in Europe. The consumer price index (CPI) was up 0.96% y/y in April, whilst core inflation (excluding energy and non-processed foods) eased to 0.29%. However, Italian companies have not escaped the global increase in production costs, which for now is reflected mainly in production price indices. However, it is likely to feed through into higher consumer prices over the spring and the summer.

Guillaume Derrien

1. Seasonally-adjusted data.

ITALY: QUARTERLY CHANGES



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 +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.

