

FROM A ROBUST RECOVERY TO AN UNCERTAIN OUTLOOK

During the first half of 2022, the Italian economy has gradually gained strength. In Q2 2022, the real GDP was 1.1% higher than in Q4 of 2019. The carry-over for 2022 is 3.5%. The recovery that resulted was widespread in a variety of sectors. Construction continued to grow, recording a robust increase in comparison with the pre-COVID level, while both manufacturing and services increased as well, benefiting from the recovery of tourism. The overall outlook for the Italian economy has become more uncertain. Households and firms are extremely cautious. In the three months ending in July, industrial production fell by more than 1.5% q/q. The value of retail trade continued to rise, while the volume of sales declined, suffering from the acceleration of inflation.

A ROBUST AND WIDESPREAD RECOVERY

During the first half of 2022, the Italian economy gradually gained strength. The real GDP rose by 0.1% in Q1 and by 1.1% in Q2, with the annual growth rate slightly below 5.0%. The carry-over for 2022 as a whole, assuming that no further increase occurs in the coming quarters, is 3.5%. Italy has already totally recovered from the losses recorded during the last recession, with the real GDP 1.1% higher than in Q4 2019.

In Q2, the recovery was widespread in certain sectors. Construction activity continued to grow, although at a slower pace. The value added is almost 30% higher than in Q4 2019. This robust rebound reflects the positive effect of fiscal incentives, aimed at improving the energy efficiency of existing dwellings.

After a +0.1% gain in Q4 2021 and a downswing of -0.9% in Q1 2022, the manufacturing sector began to grow, benefiting from the favourable evolution of foreign demand. In Q2, value added rose by 1.5% q/q, reflecting the robust increase in the production of electronic, wood and paper products, electrical equipment and machinery.

Thanks to the improvement of the COVID pandemic and the easing of social restrictions, services value added rose by 1.0% in Q2, after falling -0.1% in Q1. Trade, transport and storage continued to experience solid and dynamic growth. Accommodation and food services activities benefited from the recovery of tourism. The value of the expenditures of non-residents in Italy almost reached 12 billion euros, about three times of that in Q2 2011 and slightly more than in Q2 2019.

THE ROLE OF DOMESTIC DEMAND

The recovery of the Italian economy continued to be driven by domestic demand, while the net exports contribution was still negative, as imports rose more than exports (respectively +3.3% and +2.5% in real terms). In Q2, private consumption rose by more than 2.5%, with a 1.5% positive contribution to the overall growth, also reflecting the improvement of labour market conditions. The number of persons employed has risen above 23 million, and the employment rate has already recovered from the pre-crisis level. In Q2, fixed investment rose for the eighth consecutive quarter in a row. In comparison with Q4 2019, gross fixed capital formation increased by more than 15%. The propensity to invest has risen, although it remains below that of France and Germany.

INCREASING UNCERTAINTY

The outlook for the Italian economy has become more uncertain, as a consequence of the worsening of the global scenario, the persisting of geopolitical tensions and the further increase of inflation and interest rates. Households and firms are extremely cautious.

GROWTH & INFLATION

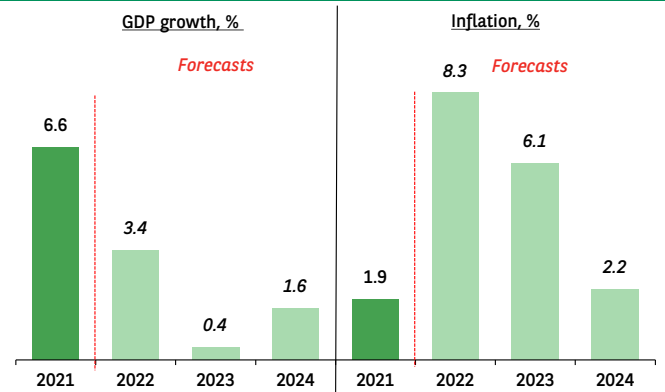


CHART 1

SOURCE: BNP PARIBAS GLOBAL MARKETS

In July, Italian firms have augmented their buffer of liquidity. The value of bank deposits of non-financial corporations increased by more than 20 billion euros on a monthly basis, reaching 435 billion euros.

The evolution of activity in the manufacturing sector begins to reflect the effects of both higher costs and the weakening of foreign demand. In July, industrial production rose by only 0.4%, with several sectors, such as wood, chemical, electronic and metal products experiencing a decline of activity. In the three months ending in July, production declined by more than 1.5% q/q.

The impact of increasing prices on household expenditures is becoming increasingly evident. In August, the consumer price index for the whole nation (NIC) rose by almost 8.5% with the highest increases showing in the energy and food components. In July, while the value of retail trade continued to grow, volume sales contracted by 0.9% y/y, with those of food products falling by more than 3.5%.

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