## **Italy: Getting better**

**The business climate is improving.** The composite PMI hit 51.9 in February, up from 49.7 in January, buoyed by services (53 in February compared with 50.4 in January), notwithstanding the persistent weakness in industry (with the manufacturing PMI standing at 47.4). Industrial output plunged in December (-6.9% y/y, including -43.2% for vehicles and -16.2% for clothing).

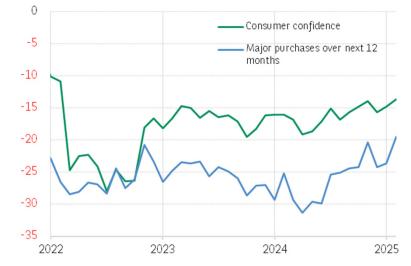
Household confidence at its highest level in three years (see chart). Intentions to make major purchases in the coming year are at their highest level since July 2021. This should enable private consumption to further buoy Italian growth. For the time being, hard data remains disappointing: new vehicle registrations are slowing (-3.3% 3m/3m in February), as are retail sales volumes (-0.4% 3m/3m in January).

**Labour market: a favourable situation.** After rising to 6.4% in December, the unemployment rate fell to 6.3% in January (with an all-time low of 6% in November). Meanwhile, the employment rate rose to 62.8% in January, hitting an all-time high.

**Inflation remains contained for the time being.** The increase in the energy component (+0.6% y/y vs. -0.7% in January) was offset by the fall in core inflation (1.5%), which is now below the overall index (1.7% y/y in February). However, according to our forecasts, inflation should accelerate in the second quarter (2.3% compared with 1.8% in the first quarter on average), given recent developments in producer prices (+4.4% y/y in January, compared with -0.5% y/y in November 2024).

**Growth should rebound in Q1 2025 (0.3% according to our forecasts)** compared with +0.1% q/q in Q4 according to the final estimate, due in particular to the improvement in business surveys.

## Consumer Confidence Survey - Italy (February 2025)



Source: European Commission, BNP Paribas calculations

GDP GROWTH (q/q) : observed, carry-over, forecast										
Actual				Carry-over	Forecast			Annual forecasts (y/y)		
Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	2024 (observed)	2025	2026
0.3	0.1	0.0	0.1	0.1	0.3	0.3	0.3	0.5	0.8	1.0

Source: Refinitiv, BNP Paribas

Lucie Barette, article completed on 14/03/2025



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