

## Growth should bounce back in Q1

According to our current forecasts, the contraction in Italian GDP recorded in the last quarter of 2022 was only temporary and should be followed by a 0.3% q/q rebound in the first quarter of 2023. However, economic growth is expected to slow down over the course of the year and could fall back into negative territory in the third quarter.

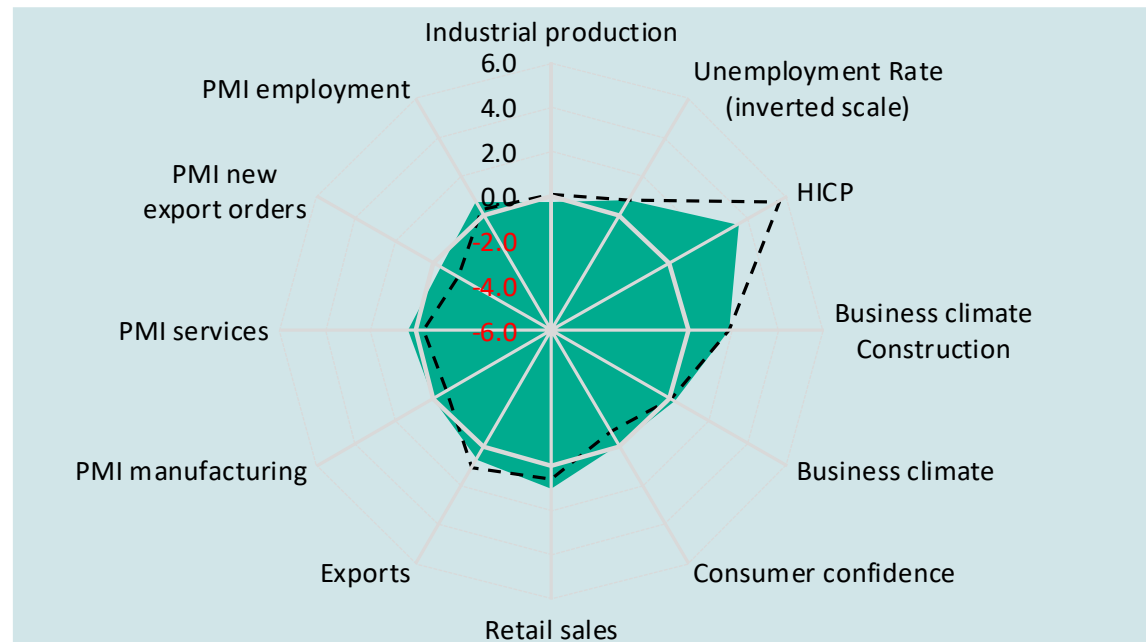
PMI indices continued to rise in March: the composite index improved by 3 points to 55.2, the highest level since November 2021. As elsewhere in the eurozone, the improvement is driven by services – the PMI index in this sector has risen by more than 4 points, from 51.6 in February to 55.7. Conversely, the manufacturing indicator fell in March by 0.9 points to 51.1; however, it remained above the expansion threshold (50). Industrial production has fallen slightly in recent months, dropping below its pre-pandemic level in February

The sharp drop in inflation in March (-1.7 points to 8.1% y/y) enabled household confidence to recover somewhat, in the absence of a real upturn: according to Istat, household confidence rose to its highest level in a year in March, thanks to an expected improvement in personal finance and the labour market. In particular, the one-year outlook for unemployment is the weakest since the first lockdown in spring 2020. Although they are far below inflation, contractual hourly wages are growing more quickly: they were up 2.3% y/y in February compared to 1.6% two months earlier

Since last June, the unemployment rate has remained stable at around 8%. However, employment continued to grow and reached a new record in February, as did the participation rate for this month, which stood at 66.2%. Nevertheless, the labour force grew at the same time (+0.3% since June 2022), which limited the drop in the jobless rate.

Guillaume Derrien (article completed on 18/04/2023)

### Italy: economic indicators 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 -6 and +6. In the radar chart, the green 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.

### Italy: GDP growth

Actual			Carry-over	Forecast			Annual growth forecasts (y/y)		
Q2 2022	Q3 2022	Q4 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	2022 (observed)	2023	2024
1.0	0.4	-0.1	0.4	0.3	0.2	-0.1	3.8	0.9	0.7

Source: Refinitiv, BNP Paribas



# BNP PARIBAS ECONOMIC RESEARCH

William De Vijlder  
Chief Economist +33 1 55 77 47 31 william.devijlder@bnpparibas.com

## OECD ECONOMIES AND STATISTICS

Hélène Baudchon  
Deputy chief economist, Head - United States +33 1 58 16 03 63 helene.baudchon@bnpparibas.com

Stéphane Colliac  
France, Germany +33 1 42 98 43 86 stephane.colliac@bnpparibas.com

Guillaume Derrien  
Eurozone, Southern Europe, Japan, United Kingdom - International trade +33 1 55 77 71 89 guillaume.a.derrien@bnpparibas.com

Veary Bou, Tarik Rharrab  
Statistics

## ECONOMIC PROJECTIONS, RELATIONSHIP WITH THE FRENCH NETWORK

Jean-Luc Proutat  
Head +33 1 58 16 73 32 jean-luc.proutat@bnpparibas.com

## BANKING ECONOMICS

Laurent Quignon  
Head +33 1 42 98 56 54 laurent.quignon@bnpparibas.com

Céline Choulet +33 1 43 16 95 54 celine.choulet@bnpparibas.com

Thomas Humblot +33 1 40 14 30 77 thomas.humblot@bnpparibas.com

Marianne Mueller +33 1 40 14 48 11 marianne.mueller@bnpparibas.com

## EMERGING ECONOMIES AND COUNTRY RISK

François Faure  
Head - Argentina, Turkey - Methodology, Modelling +33 1 42 98 79 82 francois.faure@bnpparibas.com

Christine Peltier  
Deputy Head - Greater China, Vietnam - Methodology +33 1 42 98 56 27 christine.peltier@bnpparibas.com

Stéphane Alby  
Africa (French-speaking countries) +33 1 42 98 02 04 stephane.alby@bnpparibas.com

Pascal Devaux  
Middle East, Balkan countries +33 1 43 16 95 51 pascal.devaux@bnpparibas.com

Hélène Drouot  
South Korea, Philippines, Thailand, Andean countries +33 1 42 98 33 00 helene.drouot@bnpparibas.com

Salim Hamad  
Latin America +33 1 42 98 74 26 salim.hamad@bnpparibas.com

Cynthia Kalasopatan Antoine  
Ukraine, Central European countries +33 1 53 31 59 32 cynthia.kalasopatan.antoine@bnpparibas.com

Johanna Melka  
India, South Asia, Russia, Kazakhstan +33 1 58 16 05 84 johanna.melka@bnpparibas.com

Lucas Plé  
Africa (Portuguese & English-speaking countries) lucas.ple@bnpparibas.com

## CONTACT MEDIA

Mickaëlle Fils Marie-Luce +33 1 42 98 48 59 mickaëlle.filsmarie-luce@bnpparibas.com

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