

Investment strengthens despite the energy shock

The GDP contraction of 0.1% q/q in the fourth quarter of 2022 – due to a marked drop in consumer spending (-1.6% q/q) and the negative contribution from inventories – should not lead us to overlook the very good investment figures. In real terms, gross fixed capital formation rose by 2% q/q in Q4 and by 9.7% over 2022 as a whole. In particular, investment in machinery and equipment reached a new record level. Our forecasts for GDP growth in the first quarter of 2023 have been upwardly revised from -0.6% q/q to +0.3% q/q, in part due to the lower risk of energy shortages.

The Italian authorities have been able to quickly move away from the economy's dependence on Russian gas, which stood at around 40% before the outbreak of the war in Ukraine. In addition, a new floating terminal to reprocess imported liquefied natural gas has just been installed off the coast of Piombino in Tuscany. It is expected to become operational in May.

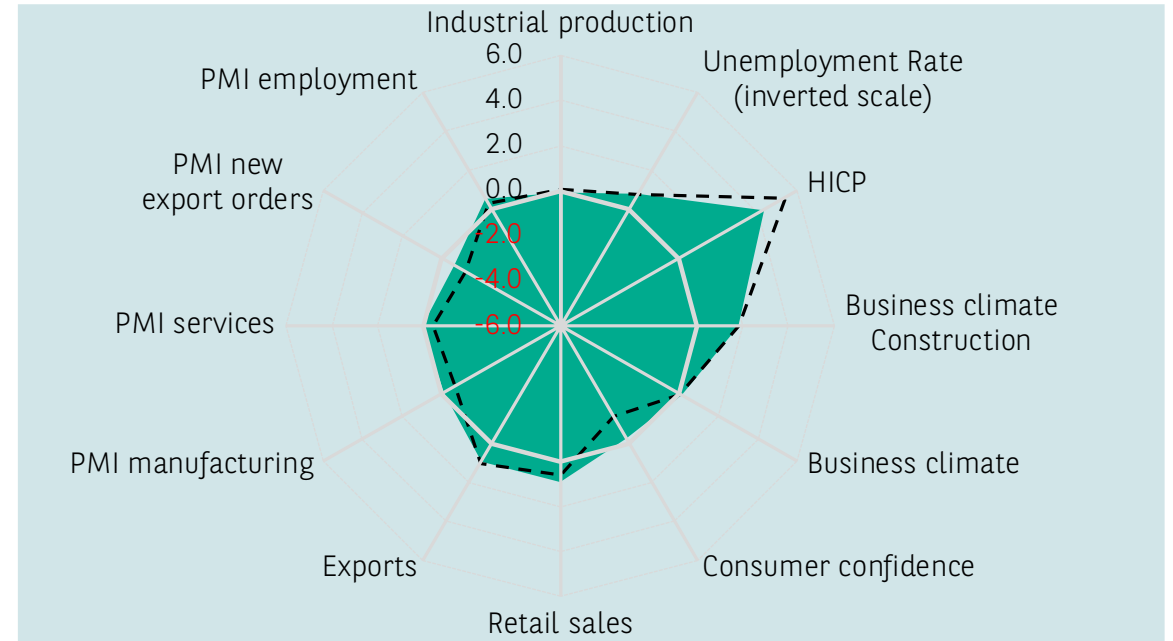
The fall in inflation over the past few months is being reflected positively in consumer confidence. The indices for the financial outlook and the savings capacity over twelve months have both reached their best levels in a year.

However, inflation in Italy has been falling more slowly than in neighbouring countries, with a year-on-year (y/y) increase of 9.8% in February (harmonised figures). Increases in household energy bills are still significantly higher than those seen in the Eurozone, with a rise in electricity and gas prices of 58% and 22% y/y respectively. However, food price inflation, at 13.4%, is below the monetary union average of 17.3%.

Even after the contraction in Q4, growth carry-over for 2023 remains positive, at +0.4%, and should support GDP growth in 2023, which we are currently estimating at around 1%. The figure should be similar for 2024.

Guillaume Derrien (article completed on 21/03/2023)

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
1.1	0.5	-0.1	0.4	0.3	0.2	0.2	3.7	0.9	0.9

Source: Refinitiv, BNP Paribas



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