

Sharper decline in activity on the cards for Q1 2023?

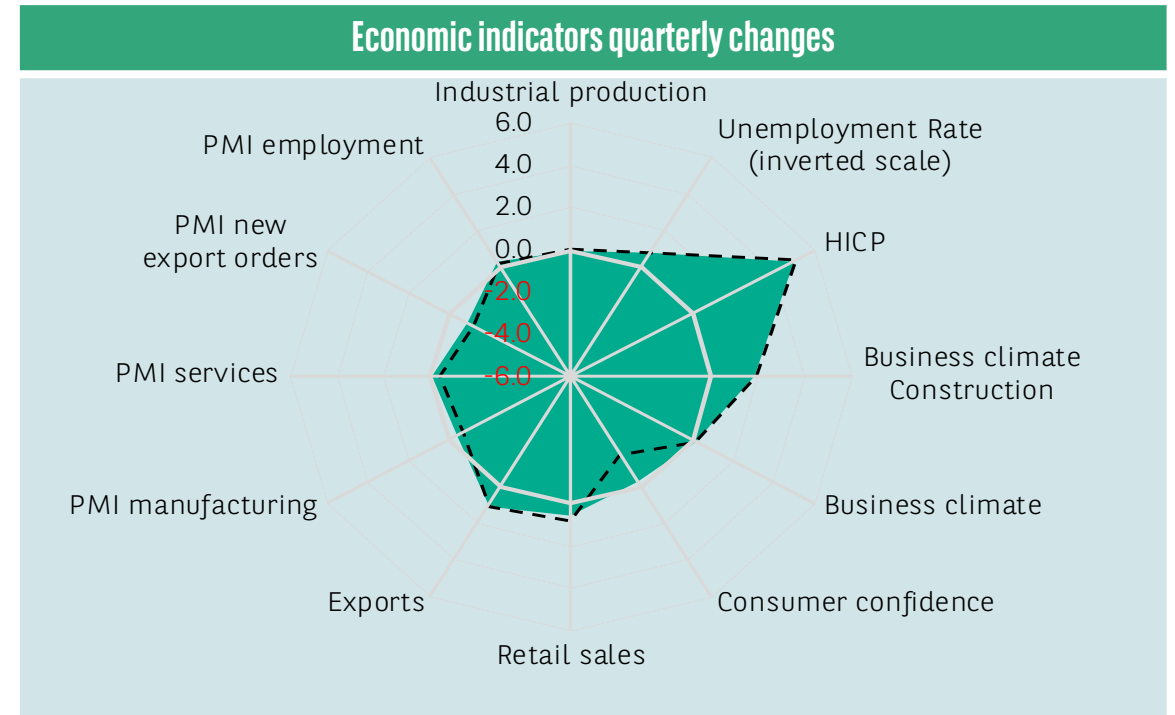
Italy's job market is taking longer to recover than in neighbouring countries. However, employment is close to topping the peak reached in June 2019, with a gap of just 7,000 jobs in December 2022. The employment rate (15 to 64-year-olds) has reached a new record of 60.5%, while unemployment remains stable at 7.8%. Youth unemployment (15 to 24-year-olds) is at its lowest since September 2008.

Recruitment problems – which are particularly evident in the European Commission's surveys – are likely to increase upwards pressure on wages and labour costs. The increase in labour costs gained momentum over the course of 2022, reaching 3.1% y/y in November. Although contained, this is nevertheless the most significant increase since January 2009.

This was still not enough to make up for the effects of inflation, which remained above the 10% mark in January at 10.9% y/y according to Eurostat's harmonised index. Consumer prices rose even more sharply over a shorter time frame, at 13.7% 3m/3m.

Retail sales, which only partly reflect the overall trend in consumer spending, fell 0.4% in 2022 as a whole, weighed down by a 4.2% drop in food sales. The carry-over achieved in 2022 is likely to have been cancelled out in Q1, with Italy looking set to achieve only slight growth in economic activity in 2023. In the short term, the slight decline in activity seen in Q4 2022 is expected to give way to a more marked contraction in Q1 2023.

Guillaume Derrien



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.

GDP growth										
Actual			Forecast	Carry-over	Forecast			Annual growth forecasts (y/y)		
Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q1 2023	Q2 2023	Q3 2023	Q3 2023	2022 (observed)	2023	2024
1.1	0.5	-0.1	-0.4	0.0	0.1	0.2	0.2	3.9	0.2	1.2

Source: Refinitiv, BNP Paribas

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