

ITALY

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STEADY BUT MODERATE GROWTH

The recovery of the Italian economy continues, although at a moderate pace. In Q2 2024, real GDP rose by 0.2% q/q, supported by domestic demand, while net exports' contribution was negative. The slowdown of investment reflected the decline of expenditure on dwellings, while machinery investment increased. Consumption moderately increased. Value added slightly accelerated in the services sector while continuing to contract in the manufacturing sector. The labour market has shown significant improvement since Q2 2021. In Q2 2024, the employment rate rose to 62.2%, a historical peak that, nevertheless, remains low in comparison with the main EU partners.

POSITIVE DOMESTIC DEMAND

The recovery of the Italian economy continues, although at a moderate pace. After increasing by 0.3% in Q1 2024, real GDP rose by 0.2% q/q in Q2 and by 4.7% compared to Q4 2019. Domestic demand added 0.1 percentage points to the overall growth, while net exports contribution was negative (-0.3% pp in Q2), as exports fell more than imports. From January to July, Italian sales to Germany fell by almost 5.5%. The contribution of stocks was strongly positive, at +0.4 pp.

In Q2 2024, consumption rose by 0.2%, after +0.3% in Q1, despite the gradual increase of the propensity to save. Although uncertainty about the global and local economic outlook persists, consumer confidence remains above its long-term average. The purchasing power of households increased above the pre-Covid level, as nominal income rose while inflation decelerated.

The moderate evolution of the economy mainly reflects the slowdown of investment, which rose by 0.3% in Q2, after +0.4% in Q1 and +2% in Q4 2023. The breakdown by items of expenditure was mixed, but better than expected. Investment in dwellings recorded the second decline in a row, given the cancellation of fiscal incentives to improve the efficiency of buildings, while those in other type of construction, including infrastructure and industrial buildings, increased by 1.8%, after +4.6% in Q1. Despite the uncertainty around new public incentives for ICT equipment, investment in machinery rose by 0.9% (+18.5% over Q4 2019). Business confidence has slightly improved, remaining above its long-term average.

The recovery of the Italian economy remained mixed by sector. Although decelerating, construction value added rose by 0.6% in Q2, from +2.9% in Q1. Services slightly accelerated, also benefiting from the further recovery of international tourism. From January to June, the number of foreigner travellers in Italy rose above 40 million, 2.2 more than in the same period of 2023. Manufacturing continued to be affected by the slowdown of both global demand and investment expenditures. In Q2, value added fell by 1% (-0.4% in Q1). Although declining on an annual basis, manufacturing producer prices remain more than 20% higher than at the beginning of 2021. Production has further declined, with a widespread contraction by sector.

EMPLOYMENT AT A HISTORICAL HIGH PEAK

In Italy, the labour market has shown significant improvement since Q2 2021. In Q2 2024, the number of people employed (seasonally adjusted value) reached 23.9 million, 409,000 units more than in Q2 2023, and 873,000 more than in Q4 2019, before the outbreak of the pandemic. The increase mainly involved the female component: in Q2 2024, there were 467,000 more women employed than in Q4 2019.

GROWTH AND INFLATION

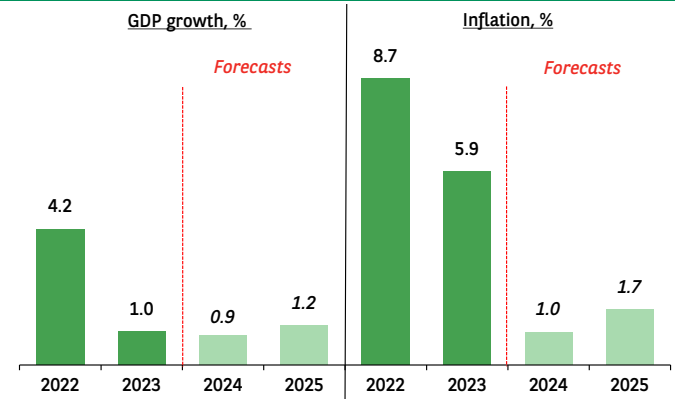


CHART 1

SOURCE: BNP PARIBAS GLOBAL MARKETS

Thanks to these latest improvements, the employment rate in Q2 2024 in Italy rose to 62%, a historical peak that, nevertheless, is still lower than those of the main EU partners (77.6% in Germany, 69% in France, 66% in Spain). This especially occurs in the female component (53.4%) and in the southern regions, where the employment rate (43.3%) remains significantly lower than in the rest of the country.

The employment rate is still strongly affected by the level of education. In Italy, 82.9% of the graduates between 14 to 65 years old are employed. This percentage drops to 62.9% among those with a high school diploma and to 44.9% among those with only a primary education or lower secondary school diploma.

Despite the improvement in the labour supply, in some sectors, Italian enterprises are experiencing some difficulties finding the necessary skills. In the first half of 2024, among the companies associated with Confindustria (the association of Italian enterprises) that were looking for personnel, 70% (mostly large industrial companies) reported difficulties in finding skills related to the digital transition, internationalization and the green transition.

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