



# ECOPULSE

January 2023

MONTHLY PULSE OF ECONOMIC INDICATORS



**BNP PARIBAS**

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## Wage growth not taking off

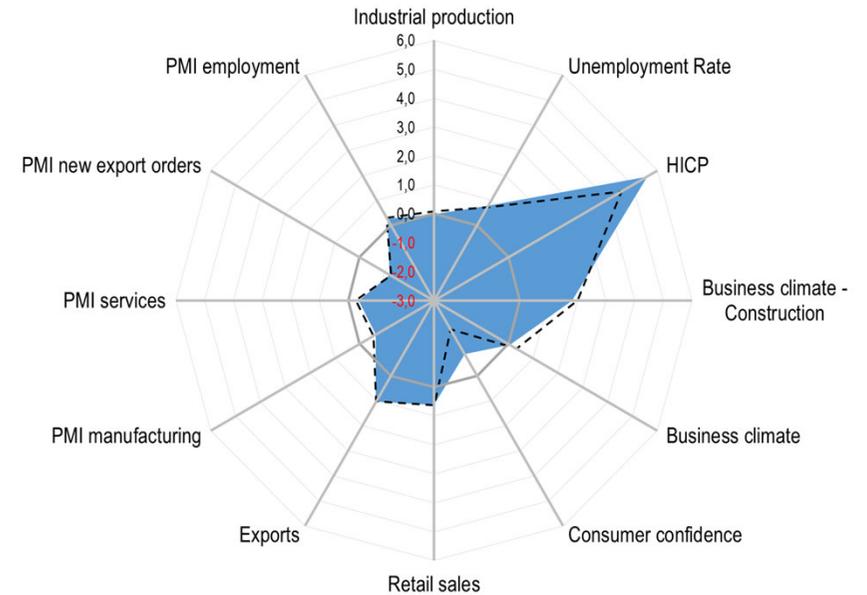
While the risk of energy shortages this winter seems to be receding, the obstacles which the Italian economy is facing remain significant. Unlike its European neighbours, inflation in Italy is not slowing down. It fell only slightly in December, from 12.6% to 12.3%, and remains the highest in Western Europe. Furthermore, prices over three months (3m/3m) soared to 19.8%, the highest level since current statistics began in 1996.

Despite the scale of the support measures introduced in 2022 – at a total cost, estimated by the Bank of Italy, of EUR 68 bn – these have been less effective at slowing down price increases than the measures introduced in France or Spain, for example. This was in part a choice made by the Italian authorities, who have preferred direct subsidy measures or concessions on social contributions for households and businesses, rather than intervention on prices. Nonetheless, faced with the modest rise in hourly wages (+1.6% y/y in November), the fall in the purchasing power of Italian households remains substantial.

While the Italian labour market continues to recover given the fall in the unemployment rate, this indicator masks underlying dynamics which are less positive for economic growth. The unemployment rate fell to 7.8% in November 2022, its lowest level since May 2009 if we exclude the April 2020 distortions linked to the introduction of furlough measures. Nonetheless, the active working population has stabilised at a much lower level than in 2019, down around 300,000 (-1.5%).

Private consumption recovered in Q3 2022 but is expected to have slowed down in Q4, resulting in a drop in activity which we estimate to be -0.4% q/q. Retail sales continued to fall in October and November, hindered by a significant drop in purchases of food products (-6.7% between January and November 2022).

### Economic indicators quarterly changes



Source: Refinitiv, BNP Paribas.

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 -3 and +6. In the radar chart, the blue 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 q/q: actual, carry-over and forecasts

| Actual  |         |         | Forecast | Carry-over | Forecast |         | Carry-over | Annual growth forecasts (y/y) |      |      |
|---------|---------|---------|----------|------------|----------|---------|------------|-------------------------------|------|------|
| Q1 2022 | Q2 2022 | Q3 2022 | Q4 2022  | end 2022   | Q1 2023  | Q2 2023 | mid 2023   | 2022                          | 2023 | 2024 |
| 0,2     | 1,1     | 0,5     | -0,1     | 0,4        | -0,4     | 0,1     | 0,1        | 3,9                           | 0,2  | 1,2  |

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