

Job creation remains strong, despite the weak economic climate

Economic surveys remain deteriorated. The PMI indices indicate a contraction in activity that is now more widespread, although the downturn is particularly pronounced in the manufacturing sector. The manufacturing PMI fell by 1.9 points to 44.9 in October, while the services PMI dropped more sharply below the 50 mark, after recording a decline of 2.2 points to 47.7. The household consumer confidence index in Italy is decorrelating from inflation expectations- which have been stable since the spring - and is now falling due to the effect of more subdued economic and employment prospects. In fact, the monthly fall in the confidence indicator (-2.4 points) was the steepest in the last fifteen months. Durable goods purchase intentions are feeling the pinch, falling for the fourth consecutive month in October.

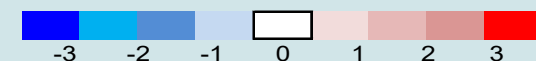
Nevertheless, the labour market continues to perform well, with a volume of employment (23,656 million) and an employment rate (61.7%) rising again in September, while the jobless rate is approaching its lowest level in fourteen years, at 7.4%. In addition, the crossover between the wage and inflation curves, expected this autumn, would indicate gains in purchasing power, which should underpin household consumption. Contractual hourly wages grew less rapidly than inflation in September, up 3.2% year-on-year. However, the rise in consumer prices slowed significantly in October, falling from 5.6% to 1.8% in harmonised terms. This drop was mainly fuelled by the sharp deflation of the energy component, down -19.7% year-on-year, which occurred despite a significant increase in regulated tariffs in October.

Economic growth in Italy remains on a knife-edge. According to preliminary figures, real GDP stagnated in the third quarter after contracting by 0.4% q/q in Q2. However, we expect activity to pick up again in the final quarter of 2023, followed by a stabilisation in the growth rate between 0.2% and 0.3% throughout 2024. With an estimated annual average of 1% in 2024, Italy is expected to perform above the eurozone average of 0.8%.

Guillaume Derrien (completed on 23 November 2023)

Italy: economic indicators monthly changes*

	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	Apr 23	May 23	Jun 23	Jul 23	Aug 23	Sep 23	Oct 23
Business climate - Manufacturing	0.0	0.3	0.4	0.2	0.5	0.6	0.2	-0.1	-0.2	0.1	-0.1	-0.1
Business climate - Construction	1.7	2.0	1.9	1.8	1.9	2.1	1.9	2.0	2.2	1.8	1.9	2.1
Business climate - Services	0.3	0.2	0.6	0.5	0.4	0.6	0.6	0.6	0.7	0.7	0.6	0.7
PMI manufacturing	-0.8	-0.8	-0.1	-0.2	0.1	-0.5	-0.4	-1.2	-1.0	-1.7	-1.4	-1.4
new export orders												
PMI Composite - Employment	0.7	0.4	0.5	0.5	1.0	1.3	1.2	0.6	0.0	-0.7	0.4	-0.1
Consumer confidence	-0.4	-0.1	-0.3	-0.1	0.2	0.1	-0.1	0.1	-0.1	-0.1	-0.2	-0.6
Industrial production	-0.4	0.0	0.2	-0.2	-0.3	-0.7	-0.3	0.0	-0.2	-0.4	-0.2	
Retail sales	0.9	0.7	1.2	1.1	1.2	0.6	0.5	0.7	0.5	0.4	0.2	
Exports	1.0	0.6	0.6	0.2	-0.2	-0.8	-0.3	-0.3	-1.0	-0.2	-0.9	
HICP	5.5	5.1	4.1	3.6	2.7	2.9	2.6	2.0	1.8	1.5	1.5	-0.1
Core HICP	3.9	4.0	4.2	4.4	4.0	3.9	3.5	3.2	3.0	2.3	2.4	2.1
Employment	0.8	1.0	1.2	1.0	0.8	0.9	0.9	0.9	0.9	1.3	1.2	
Unemployment Rate	0.8	0.8	0.7	0.8	0.8	0.8	0.9	1.0	0.9	1.0	1.0	
Wage	-0.2	-0.2	0.4	0.4	0.4	0.7	0.6	1.4	1.2	1.2	1.2	



* The Indicators are all transformed into "z-scores", i.e. deviations from the long-term average value (expressed in standard deviation), the average of which is zero (except for the PMI/ISM indices where the average is 50, the threshold between the expansion zone and the contraction zone of the activity). Positive (negative) values indicate the number of standard deviations above (below) the mean value.
Reading note: the red colour indicates dynamic activity, high inflation and low unemployment, the blue colour indicates slower activity, low inflation and high unemployment.

GDP growth

	Actual			Carry-over	Forecast		Annual forecasts (y/y)		
	Q4 2022	Q1 2023	Q2 2023	Q4 2022	Q4 2023	Q1 2024	2022 (observed)	2023	2024
	-0.2	0.6	-0.4	0.0	0.4	0.2	3.9	0.8	1

Source: Refinitiv, BNP Paribas

