

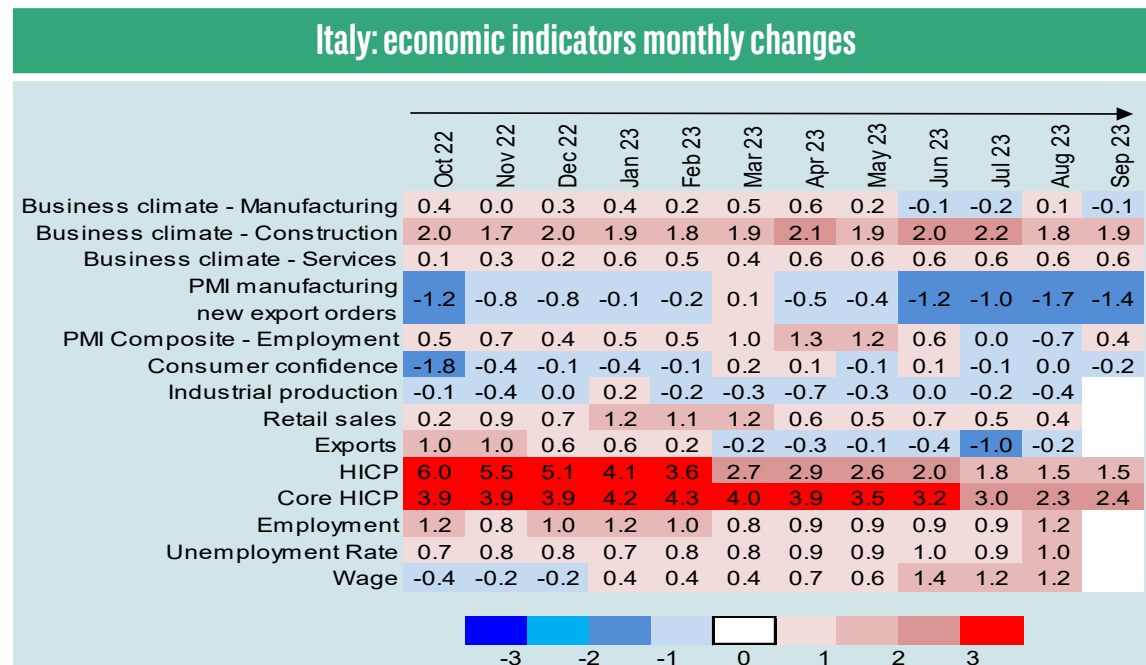
Employment continues to rise

Household confidence has dropped slightly since April. This reflects a decline in purchasing intentions for durable goods and a deterioration in the outlook for unemployment. Nevertheless, the Italian labour market remains on track. Unemployment fell to 7.3% in August, its lowest rate in fifteen years. As a result of this drop, recruitment problems are intensifying: the proportion of companies citing labour shortages as a factor limiting production was, in Q2 2023, the largest seen since the early 1990s. Although the working population is far from having closed the gap between the levels seen in 2019 (the deficit was 1.3% in August compared to the peak in April 2019), employment has continued to rise very significantly. This has helped to raise the employment rate (to 61.5% for 15–64-year-olds) to a level not seen in at least twenty years, the current statistics going back only to 2004).

Despite a tighter labour market, the increase in wages remains limited. The latter was up 3.2% y/y and is still significantly below inflation, which rose almost twice as fast in September, to 5.6%. Italian household purchasing power thus continues to contract, which is holding back private consumption. While not having fallen, private consumption is hovering just above its 2019 levels. There is also significant divergence in trajectory between the various consumption items; On the one hand, spending on services and durable goods are relatively high, having risen since the beginning of the year. On the other hand, consumption of non-durable goods is falling. This decline corroborates the drop seen in retail sales for several months now, mainly due to lower food consumption, which touched a twenty-year low in September.

After a contraction in Q2 (-0.4% q/q), real GDP should nevertheless pick up again in Q3, helped by a slightly more favourable inflationary environment. A further slowdown is expected in Q4. Growth for 2023 will remain moderate at 0.8% but higher than our expectations for the euro zone as a whole (+0.5%).

Guillaume Derrien (completed on 16 October 2023)



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)		
	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q4 2022	Q3 2023	Q4 2023	2022 (observed)	2023	2024
	0.3	-0.2	0.6	-0.4	0.4	0.3	0.1	3.9	0.8	1

Source: Refinitiv, BNP Paribas



BNP PARIBAS ECONOMIC RESEARCH

William De Vijlder Chief Economist	+33 1 55 77 47 31	william.devijlder@bnpparibas.com
OECD ECONOMIES AND STATISTICS		
Hélène Baudchon Deputy chief economist, Head - United States	+33 1 58 16 03 63	helene.baudchon@bnpparibas.com
Stéphane Colliac France, Germany	+33 1 42 98 43 86	stephane.colliac@bnpparibas.com
Guillaume Derrien Eurozone, Southern Europe, Japan, United Kingdom - Global trade	+33 1 55 77 71 89	guillaume.a.derrien@bnpparibas.com
Veary Bou, Tarik Rharrab Statistics		
ECONOMIC PROJECTIONS, RELATIONSHIP WITH THE FRENCH NETWORK		
Jean-Luc Proutat Head	+33 1 58 16 73 32	jean-luc.proutat@bnpparibas.com
BANKING ECONOMICS		
Laurent Quignon Head	+33 1 42 98 56 54	laurent.quignon@bnpparibas.com
Céline Choulet	+33 1 43 16 95 54	celine.choulet@bnpparibas.com
Thomas Humblot	+33 1 40 14 30 77	thomas.humblot@bnpparibas.com
Marianne Mueller	+33 1 40 14 48 11	marianne.mueller@bnpparibas.com
EMERGING ECONOMIES AND COUNTRY RISK		
François Faure Head - Argentina, Turkey - Methodology, Modelling	+33 1 42 98 79 82	francois.faure@bnpparibas.com
Christine Peltier Deputy Head - Greater China, Vietnam - Methodology	+33 1 42 98 56 27	christine.peltier@bnpparibas.com
Stéphane Alby Africa (French-speaking countries)	+33 1 42 98 02 04	stephane.alby@bnpparibas.com
Pascal Devaux Middle East, Balkan countries	+33 1 43 16 95 51	pascal.devaux@bnpparibas.com
Hélène Drouot South Korea, Philippines, Thailand, Andean countries	+33 1 42 98 33 00	helene.drouot@bnpparibas.com
Salim Hamad Latin America	+33 1 42 98 74 26	salim.hamad@bnpparibas.com
Cynthia Kalasopatan Antoine Ukraine, Central European countries	+33 1 53 31 59 32	cynthia.kalasopatan.antoine@bnpparibas.com
Johanna Melka India, South Asia, Russia, Kazakhstan	+33 1 58 16 05 84	johanna.melka@bnpparibas.com
Lucas Plé Africa (Portuguese & English-speaking countries)	+33 1 40 14 50 18	lucas.ple@bnpparibas.com
CONTACT MEDIA		
Mickaelle Fils Marie-Luce	+33 1 42 98 48 59	mickaelle.filsmarie-luce@bnpparibas.com

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