

ECONOMIC PULSE

ITALY: INDUSTRY IS LOSING STEAM

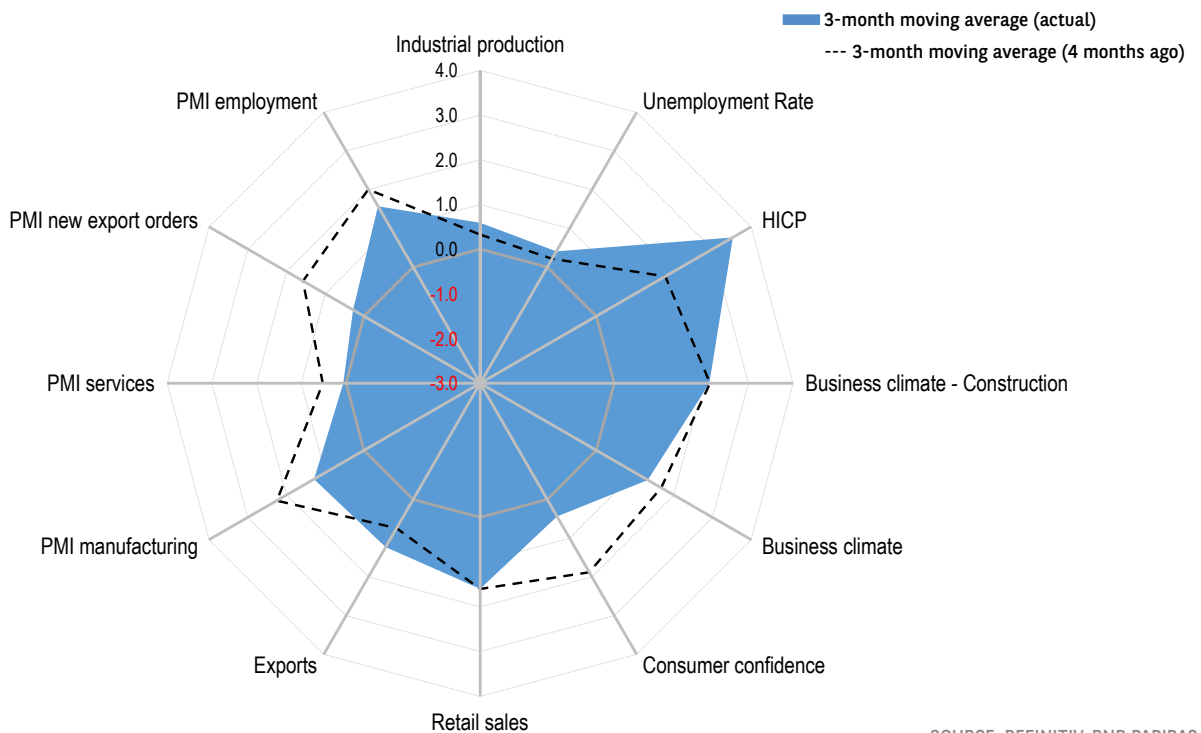
The Italian economy began 2022 on a wrong footing, with a 0.2% q/q contraction in real GDP in the first quarter. The country has been hit hard by the war in Ukraine and by lasting disruption in world trade. These factors are having a particularly strong effect on economies with a large industrial base, as is the case in Italy. Inflation, which was 6.3% y/y in April (down from 6.8% y/y in March), has also had a significant negative effect on household confidence. According to the European Commission, consumer confidence increased very slightly in April (the balance of opinion rose 1.9 points to -22), but March had been the worst month since January 2014.

A loss of dynamism in the industrial sector is also increasingly visible. Industrial production was unchanged in March and dropped by 0.7% q/q in Q1 2022. The PMI for the sector has fallen steadily since December 2021 – although it remained relatively high at 54.5 in April – and the new export orders component is now close to the contraction zone (50.1 in April). Conversely, the services PMI has been trending higher since the beginning of the year (55.7 in April, up 2.7 points since December 2021) thanks to the ending of health protection measures and the stronger recovery in tourism. The PMI component for employment in the service sector has reached its highest level since July 2007. As in other European countries, services are resuming their role as the main engine of growth, in the face of a slowdown in the industrial sector due to substantial constraints on production capacity.

Despite these supply-side constraints and the inflationary shock, the recovery in the labour market has continued this year. The unemployment rate fell to 8.3% in March. Excluding the April 2020 figure (which was “distorted” by the beginning of the lockdown), unemployment is at its lowest since June 2011. Employment increased by 80,660 in March and by 130,000 over the first quarter of 2022. However, it remains nearly 190,000 below the peak reached in June 2019. The employment rate remains low in comparison with other industrialised nations at 59.9%. It has been nevertheless at its highest level since the current data series began in January 2004.

Guillaume Derrien

ITALY: 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 +4. 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.

