

The large gap between inflation and wages persists

The preliminary estimate of Italian economic growth in the first quarter was a positive surprise, with real GDP rebounding by 0.5% q/q. However, we anticipate a slowdown in activity in Q2, before a contraction in Q3. At 0.9% in 2023, Italian GDP growth would still be above that of the eurozone as a whole. Nevertheless, record flooding in the north of the country is likely to have significant economic repercussions, particularly in the agriculture and tourism sector. It is difficult to assess them at this stage.

Although slightly down in April, consumer confidence remains close to its long-term average. The positive development lies in households' unemployment expectations at one year, which fell significantly in April, reaching their lowest level since October 2018. The unemployment rate has decreased gradually since the end of the second lockdown in spring 2021, falling to 7.8% in March 2023. Employment (23,349,110) and the employment rate (60.8%) reached new records.

Inflation in Italy remains among the highest in Europe. The main reason for this was that energy costs for consumers continued to rise sharply (gas and electricity prices rose by 20.1% and 19.5% year-on-year in April, respectively). However, core inflation (excluding energy, food, alcohol and tobacco) rose 5.3% year-on-year in April: this is below the eurozone average, which stood at 5.6%. Wages growth in Italy is steadily increasing against a backdrop of a decline in the unemployment rate. The basic hourly wage thus increased by 2.3% year-on-year in March according to Istat. However, this level is still significantly below the inflation rate.

Guillaume Derrien (article completed on 24/05/2023)

Italy: economic indicators monthly changes

	May 22	Jun 22	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	Apr 23
Business climate - Manufacturing	0.9	1.0	0.3	0.2	0.3	0.4	0.0	0.3	0.4	0.2	0.5	0.7
Business climate - Construction	2.1	2.1	2.3	1.8	2.0	1.9	1.7	2.0	1.9	1.7	1.8	2.0
Business climate - Services	0.7	0.7	0.5	0.5	0.2	0.1	0.3	0.2	0.5	0.5	0.4	0.6
PMI manufacturing new export orders	-0.2	-0.4	-1.3	-0.9	-0.8	-1.2	-0.8	-0.8	-0.1	-0.2	0.1	-0.5
PMI Composite - Employment	1.4	0.7	0.7	0.4	0.3	0.5	0.7	0.4	0.5	0.5	1.0	1.4
Consumer confidence	-1.2	-1.5	-2.1	-1.6	-1.8	-1.8	-0.4	-0.1	-0.4	-0.1	0.2	0.1
Industrial production	3.9	4.6	4.9	4.8	4.4	4.0	4.1	5.1	5.2	4.6		
Retail sales	1.4	0.2	0.8	0.9	0.8	0.2	0.9	0.7	1.2	1.2	1.2	
Exports	1.9	1.2	0.9	1.3	1.1	1.0	1.0	0.7	0.7	0.5	0.0	
HICP	4.1	4.7	4.4	4.7	4.6	6.0	5.6	5.1	4.1	3.6	2.8	3.0
Core HICP	2.2	2.8	2.7	3.5	3.7	3.8	3.8	3.9	4.2	4.3	3.9	3.8
Employment	1.6	1.5	1.0	0.9	0.9	1.2	0.7	0.9	1.1	0.8	0.7	
Unemployment Rate	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.7	0.8	0.8	
Wage	-0.9	-0.8	-0.5	-0.5	-0.6	-0.4	-0.2	-0.2	0.4	0.4	0.4	

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)			
Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q4 2022	Q2 2023	Q3 2023	2022 (observed)	2023	2024
1.1	0.4	-0.1	0.5	0.8	0.2	-0.1	3.8	0.9	0.6

Source: Refinitiv, BNP Paribas



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