# ECONOMIC PULSE

ITALY: NO RESPITE FOR INFLATION

The latest European Commission surveys indicated an encouraging upturn in Italian households' confidence, which nevertheless remains very low. The confidence index improved by 8 points in November, the strongest monthly increase recorded by the survey since its inception in 1985. Consumers' anticipations on inflation were less negative (the second biggest monthly drop since 1985) and clearly supported this renewed optimism. However, the rise in consumer prices (CPI) shows no concrete signs of a slowdown. The signals even give cause for concern. Inflation (year-on-year) barely fell in November (from 12.6% to 12.5%), while the 3m/3m measurement jumped from 13.8% to 16.7%. The dynamic is also worrying on the underlying index (excluding energy and perishable foods), with the annual rate and the 3m/3m measurement both reaching a new record (5.7% and 7.1% respectively).

Real GDP growth in Italy surprised on the upside in Q3 2022, at +0.5% q/q, led by significant growth in private consumption (+1.8% q/q) and in-vestment (+0.8% q/q). Business spending on machinery and equipment in particular has increased very significantly since lockdowns ended (+24% over the past 18 months). Investments in transport equipment are recovering much less vigorously, held back in particular by global logistics problems affecting the sector. These disruptions also hinder industrial production as a whole, which fell 0.4% q/q in the third quarter, and mainly the production of intermediate goods, which had the largest decline (-1.9% q/q).

Labour market data are mixed. The trend remains encouraging in terms of employment, with 82,000 additional recruitments in October. This brings the total volume to 23,230,000, the highest level since current statistics began in 2004. The employment rate for 15 to 64-year-olds is also at the highest level for almost two decades, up to 60.5%. A less encouraging development is that the working population remains strongly depressed compared to the levels observed before the Covid-19 crisis, at almost 1.5% below. These two dynamics (increase in employment, drop in the working population) brought the unemployment rate down to 7.8% in October.

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ITALY: QUARTERLY CHANGES

SOURCE: REFINITIV, BNP PARIBAS
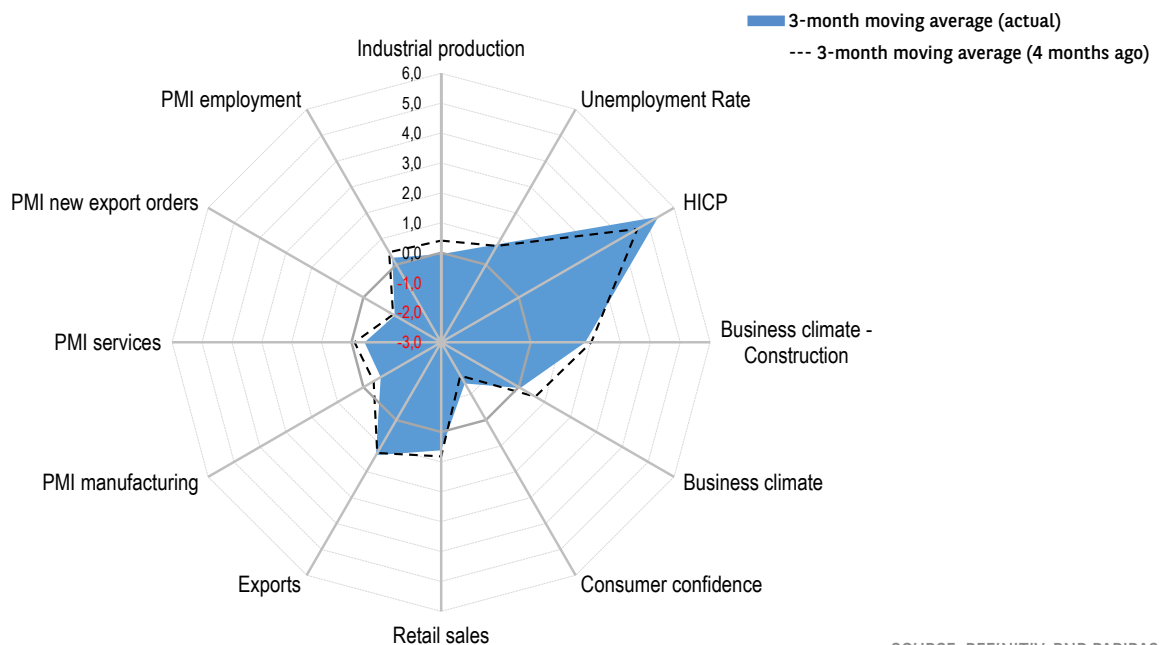
The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -3 and +6. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.

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