ECONOMIC PULSE

## ITALY: RECOVERY NEEDS TO BE CONSOLIDATED

Although the pace of growth in industrial production has slowed, our barometer shows significant improvements in exports and retail sales over the last three months (shown in blue) compared to the previous three months (delimited by the dashed line). The second estimate for Q2 GDP, published on 31 August, confirmed a solid recovery (+2.7% q/q), driven in large part by the easing of restrictions and the subsequent increases in consumption. Final household spending jumped 5.0% q/q. Investment also increased, for the fourth quarter in a row, reaching its highest level for nearly 10 years (Q3 2011). Spending relating to the construction sector has been the main driver of investment over the past year and this could continue, judging by recent opinion surveys: the sector's PMI gained 10 points in August, taking it close to its all-time record level of 65.2.

Trends in the labour market are less positive overall: employment declined slightly in July. The unemployment rate has fallen steadily (to 9.3% in July), but this is mainly because the active population has fallen sharply as a result of the pandemic, and is still struggling to recover. Indeed, there were 420,000 fewer people in the active population in July than in February 2020. Even so, consumer confidence rose over the past three months, as shown in our barometer.

With nearly 64% of the total population now fully vaccinated, Italy is no laggard relative to other European Union countries, even though it has not reached the levels already achieved by Portugal and Spain in particular. The government seems to be moving towards mandatory vaccination, as recently discussed by Mario Draghi. The current target is for 80% of the population over the age of 12 to be fully vaccinated by the end of September. A high level of vaccination will limit the risk of a surge in infections in the autumn, which would damage the economic recovery. Last week the OECD significantly increased its growth forecasts for the country in 2021 and 2022, with figures of 5.9% and 4.1% respectively (from 4.5% and 4.4% respectively in its May 2021 estimates).

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QUARTERLY CHANGES

SOURCE: REFINITIV, BNP PARIBAS
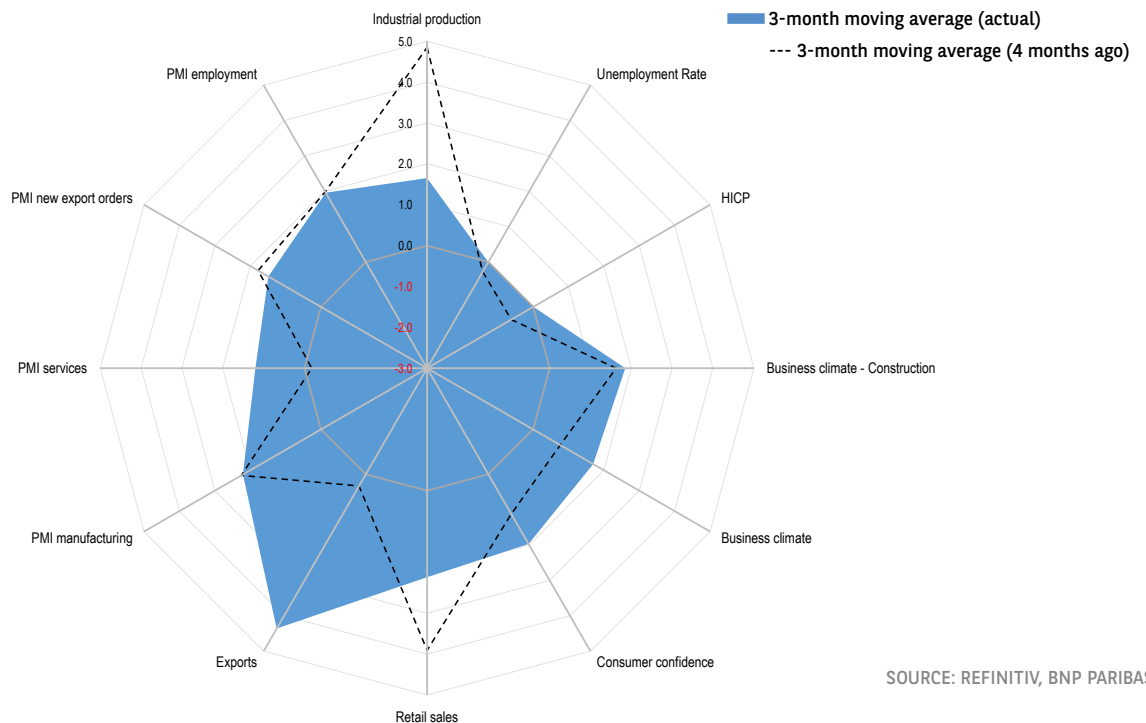
The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -3 and +5. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with 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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