

SLOWER GROWTH IN A MORE UNCERTAIN ENVIRONMENT

In Q4 2022, real GDP rose by 0.6%, after having increased by 2.7% and 2.5% in Q2 and Q3 respectively. This slowdown was widespread. Manufacturing stagnated and services suffered from the upsurge of Covid-19 cases. Uncertainty is fostered by inflation which turns out to be more persistent than expected. In March 2022, the consumer price index rose by 6.7% y/y. The deterioration of the economic environment has not affected the labour market yet. In the three months to February 2022, employment increased by 100,000 units almost completely recovering the pre-pandemic level. In the coming months, the economy is expected to benefit from the easing of social restrictions, while suffering from the negative impact of the international crisis, which is estimated to weigh on GDP growth both in Q1 and in Q2.

A MORE UNCERTAIN SCENARIO

In 2021, the Italian economy almost totally recovered the loss incurred in the previous year, with GDP increasing by 6.6% after -9% in 2020. The quarterly GDP profile reflected the evolution of the pandemic, persisting supply disruptions and increasing energy prices: after accelerating during the summer (+2.7% q/q in Q2 and +2.5% in Q3), economic activity significantly decelerated in Q4 (+0.6%). The slowdown was widespread among sectors, with manufacturing stagnating, services suffering from the new rise of Covid-19 cases and a tourism industry struggling to recover. Private consumption, which had been the main driver of growth in Q2 and Q3, remained unchanged in Q4, while investment increased by almost 3%. From October to December, net exports subtracted more than 1% from the overall growth, as imports rose more than exports.

The Italian economy entered 2022 on a slower dynamic. In January, manufacturing production fell by almost 3.5% m/m. Both business and consumer confidence worsened, with consumption slowing as increasing inflation was reducing households' purchasing power. In the coming months, the economy is expected to benefit from the easing of Covid-19 sanitary measures, while suffering from the negative impact of the international crisis, which is estimated to curb GDP growth both in Q1 and in Q2.

INCREASING INFLATION

In Italy, uncertainty is fostered by an increase in the inflation rate that is more persistent than expected. In March 2022, the consumer price index rose by 1.2% m/m and by 6.7% y/y (from +5.7% in February). The annual increase was mainly due to energy supply prices (from +45.9% in February to +52.9%), and to a lesser extent, to processed food products (from +3.1% to +4.0%) and unprocessed food products prices (from +6.9% to +8.0%). Services prices in the transport sector slowed down (from +1.4% to +1.0%). In March, core inflation increased by 2.0% y/y (from +1.7% in February). In Italy, the annual rate of price changes in goods was +10.2% (+8.6% in February) while that of services was +1.8%. Accordingly, the inflationary gap between services and goods widens to -8.4 p.p. (from -6.8 in February). In March 2022, the Italian harmonized index of consumer prices increased by 2.6% m/m and by 7.0% y/y.

UNCERTAINTY HAS NOT AFFECTED THE LABOUR MARKET

The deterioration of the economic environment due to geopolitical tensions and the persistent inflation have not affected the labour market yet. According to the most recent data, from December 2021 to February 2022, employment increased by 100,000 units, while unemployed and inactive people's numbers declined by respectively 98,000 and 87,000 units. Seasonally adjusted data show that the employed in Italy were about 92,000 less in February 2022 than in December 2019

GROWTH AND INFLATION

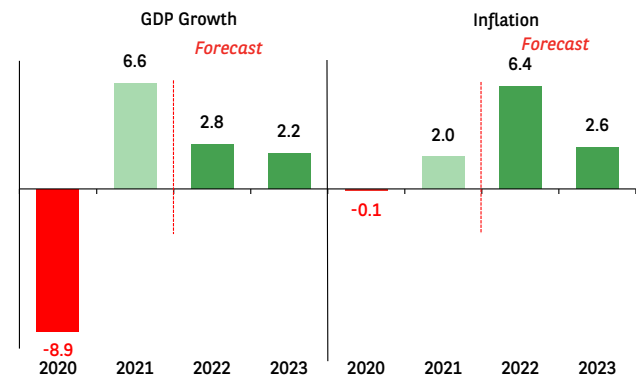


CHART 1

SOURCE: BNP PARIBAS GLOBAL MARKETS

(before the pandemic hit Italy), recovering from a maximum gap of 986,000 recorded in June 2020. The gap with respect to the December 2019 employment level is almost completely due to the female component.

The post-pandemic recovery in the labour market has mostly favoured the elderly: in February 2022, the employed aged over 50 were 279,000 more than in December 2019, while in the same period, those aged 35-49 were about 421,000 less.

Over the same period, employees in Italy increased by 78,000 units. The recovery has been highly unbalanced among them: while the number of employees with temporary contracts increased by about 146,000 units, the number of those with permanent contracts and that of self-employed people declined respectively by 67,000 and 170,000 units. Compared to the pre-pandemic period, the percentage of the self-employed slightly decreased (from 29 to 28%).

4 April 2022

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