

ECONOMIC PULSE

ITALY: STILL GROWING ROBUSTLY

Instead of drastically restricting conditions of activity, the government only made a few adjustments to their policy for combatting the pandemic: the state of emergency was extended for three months to 31 March 2022. Despite the resurging pandemic, business prospects are still looking upbeat this winter. PMI indices are holding at high levels, especially for the manufacturing sector. In November, the manufacturing PMI rose 1.7 points to a new high of 62.8, supported by the improvement of the employment and new orders components. The services PMI also improved, up 3.5 points to 55.9. The composite PMI for the past three months has held steady compared to three previous three months, as shown in the Pulse below.

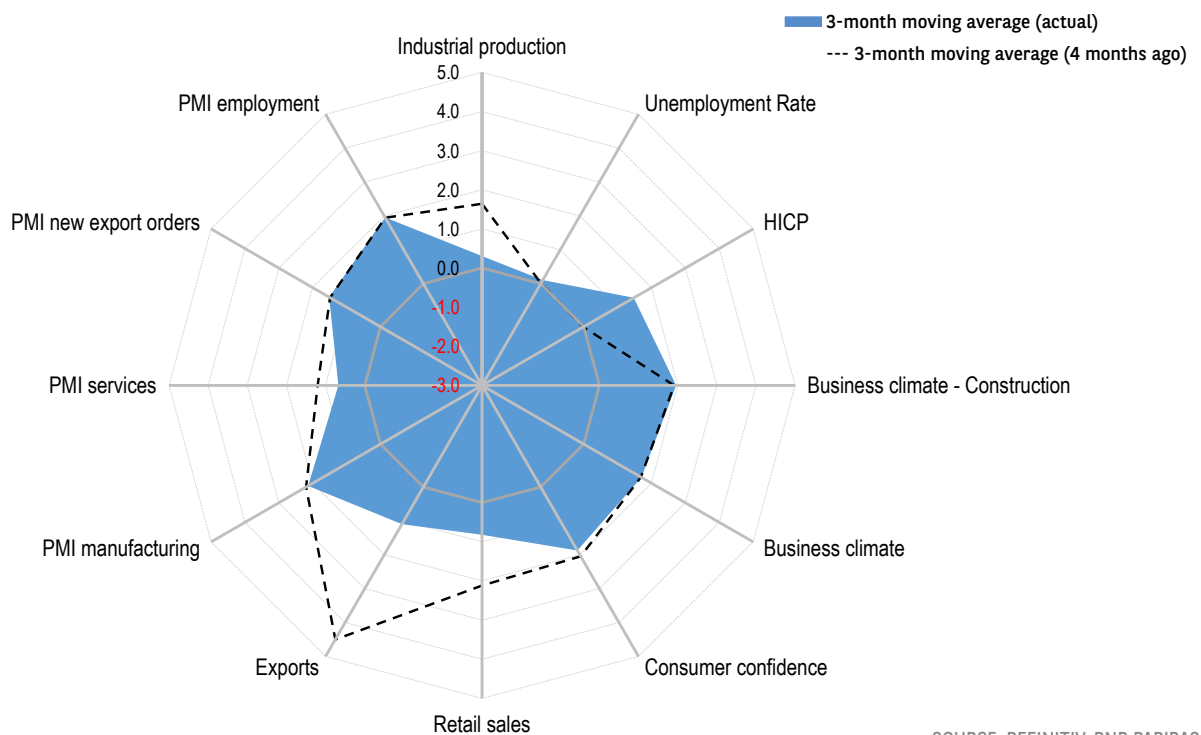
Yet Italy was not spared by an abrupt upturn in inflation, which is still largely due to soaring energy prices. The harmonised index of consumer prices (HICP) rose 3.9% year-on-year in November. Three quarters of this increase can be attributed to energy-related components (electricity & gas, fuel). Moreover, the surge in energy prices was particularly sharp for producer prices in October (+27.7% m/m). It is likely that this jump in costs will spill over to consumer prices in the near term. Inversely, certain components of the HICP are still in deflationary territory (communications, education).

Although the labour market situation has improved, it remains deteriorated. Employment is still down by nearly 250,000 jobs since the beginning of the health crisis, while the size of the active population has shrunk by 380,000. The decline in the labour market participation rate limited the upturn in the unemployment rate to 9.4% in October 2021.

The beginning of 2022 will be marked by the succession of Sergio Mattarella as President of the Republic. Mario Draghi is a serious candidate to replace him. His nomination to this position could have repercussions for the advancement of structural reforms currently underway. However, it should not have a significant impact on Italy's growth trajectory in 2022, which looks solid (+4.9% in 2022 according to our estimates).

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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 +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.

