ECONOMIC PULSE

ITALY: WAITING FOR THE PRESIDENTIAL ELECTION

With less than two weeks to go before Italy's presidential election – the first round of voting takes place on 24 January – a candidacy of the current Prime Minister, Mario Draghi, remains a distinct possibility. If Mr Draghi becomes Italy's president, this would probably have repercussions for the current governing coalition, although it is not currently possible to predict what they might be.

In the meantime, Covid-19 cases are continuing to surge, with around 170 000 new contaminations recorded in mid-January. This has prompted the government to make vaccinations compulsory for people aged over 50. However, the current Covid-19 situation is not having a significant impact on business and consumer confidence, or at least the impact is much less than during the winter 2020 wave. The composite PMI shows that economic activity remained strong in December (54.7). The indicator for the manufacturing sector even continued to improve, while consumer confidence (measured by the European Commission) is not showing any real weakness, although it fell slightly in the fourth quarter of 2021.

However, there is a noticeable difference between, on the one hand, the positive signals coming from manufacturing opinion surveys and, on the other hand, the current level of production, which is more muted although it rose sharply in November (+4.6% m/m). This largely reflects that constraints are more on the supply side, with shortages of inputs and extended delivery times, than on the demand side. Evidence for this is provided by the continuing rise in the PMI component for backlogs of work, which hit a record 63.1 in December.

Italy's jobs market is continuing to recover, but at a slower pace than in neighbouring countries. Italy still has 145,000 fewer jobs than it did at the end of 2019 and is also suffering from a significant shrinkage in its labour force, which is currently around a third smaller than it was before the pandemic. Overall, the unemployment rate has been stable since summer 2021, although at 9.2% in November, it remained the third highest in the European Union after Spain and Greece.

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ITALY: QUARTERLY CHANGES
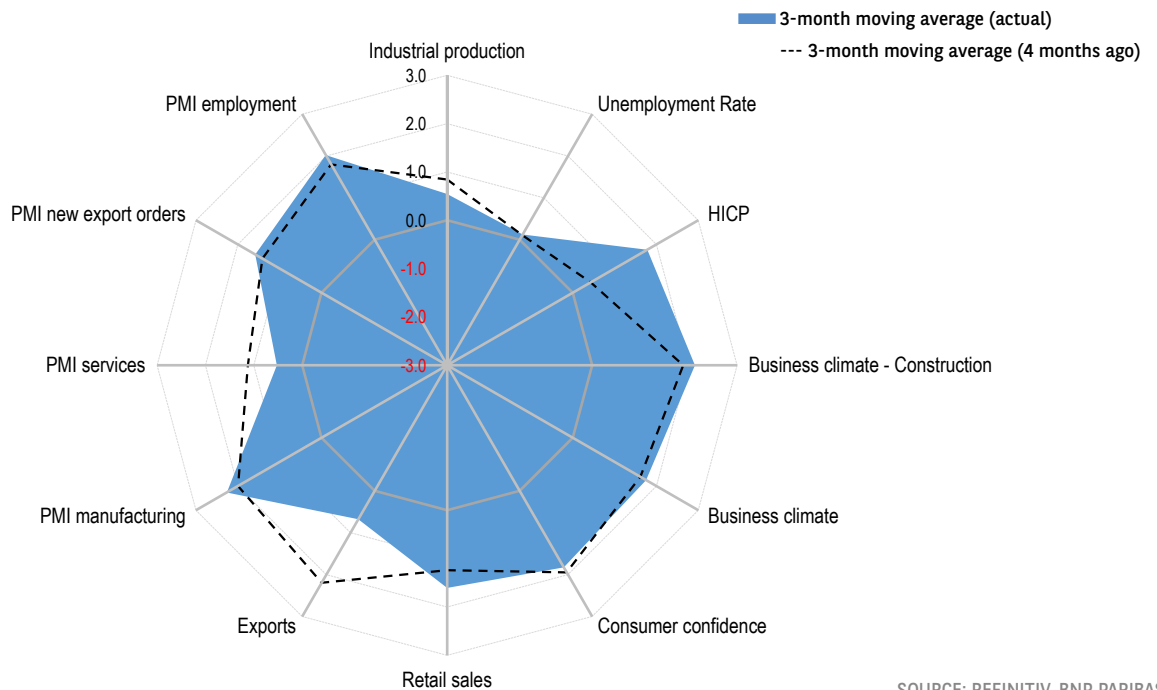
SOURCE: REFINITIV, BNP PARIBAS

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 +3. 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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