

ECONOMIC PULSE

ITALY: NO RESPITE FOR THE NEW GOVERNMENT

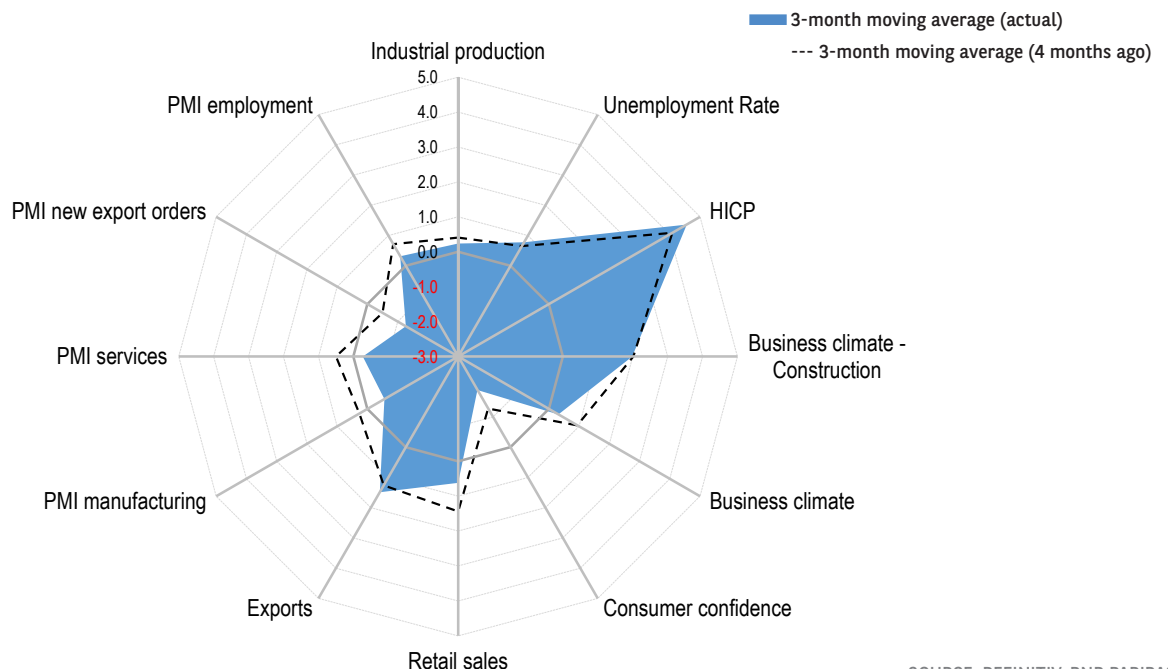
The new Italian government, headed by Giorgia Meloni, has come to power in a challenging environment and divisions have already appeared between the various partners of the right-wing alliance. In addition to political dissension, the Italian economic context is also conducive to tension. Most of the barometer's indicators have continued to deteriorate in recent weeks, both in terms of business and household indices. After a slight improvement, the composite PMI fell again in September (-2.0 points to 47.6). The same dynamic was seen in consumer confidence, where the unemployment outlook recorded its sharpest deterioration ever seen over a single month (+28 points, an increase indicating a deterioration in the outlook). The scenario of an upcoming recession in Italy therefore seems increasingly likely, especially as consumer price inflation, as well as producer price inflation, are still not stabilising this autumn.

Indeed, the rise in the harmonised consumer price index accelerated to 9.4% in September, compared with 9.1% the previous month. Although the increase in energy prices slowed somewhat – relatively speaking as it was still substantial in September (+44.5% y/y) – the rise of the underlying index (excluding energy and food products) showed no sign of abating. The opposite is true: the monthly increase of 0.8% m/m was the largest since the start of current statistics (January 1996), while annual growth crossed the threshold of 5% – the 'hotel and catering services' (8.0% y/y) and 'home furniture and equipment' (6.5% y/y) components climbed to a level never seen before. A growing price increase in clothing and footwear (+2.5% y/y) is also of note.

Household consumption continues to shrink under the weight of inflation. In real terms, retail sales fell in August to their lowest level since spring 2021. The majority of the adjustment has been made so far on food spending, which has fallen 4.1% since the beginning of the year.

Guillaume Derrien

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.

