

## December confidence data confirms Italian economic resilience

Manufacturing resilience and construction sector optimism were confirmed, as was a softening in the services sector. Consumers surprised on the upside, but the picture might change due to rising contagion numbers. Growth in 4Q21 is likely to be stronger than in 1Q22



Car production line in Turin, Italy

### Italian resilience confirmed

The December confidence data confirms that until recently Italy was relatively resilient to multiple headwinds, be that the lingering supply disruptions or mounting concerns about the Omicron variant. As data collection was completed before the recent acceleration in contagions, some caution in the interpretation of the results is necessary.

### Construction still leading, manufacturing holds up, services soften

Manufacturing confidence took a breather in December, mainly among intermediate goods producers, but both the order and the expected production components remain very close to

recent highs. The relative resilience of Italian manufacturing to lingering supply disruptions, has held until the end of the year. Businesses in the construction sector were increasingly upbeat. The strong tax incentives for green-related renovations and infrastructural plans, refinanced by RRF funds, continue working their magic on the sector.

Unsurprisingly, confidence in the service sector declined again, if at a modest pace. If current conditions and orders were pretty stable, the sharp decline in expected orders, signalled a deterioration in the making, more marked in the tourism and transportation sectors. This is hardly surprising on the back of recent pandemic developments.

## Consumers still upbeat, with positive fall-out on retailers

The main surprise in the December survey comes from the consumer domain, where confidence edged marginally up, remaining close to recent highs. Announced tax cuts for lower income brackets and decent employment data have likely helped to compensate for the negative effect on real disposable income of rising energy-driven headline inflation. Spending capacity is being obviously helped by savings accumulated of the last couple of years, and retailers seem to be benefiting.

## Positive growth surprise in 4Q21 likely, but 1Q22 might disappoint due to rising contagions

All in all, recent confidence data confirms that the Italian economy might have again overperformed over 4Q21, with private consumption as a welcome growth driver. However, recent developments on the pandemic front, with new cases accelerating also in Italy with a delay, will likely call for the reinstallation of stricter distancing rules to avoid a full-fledged lockdown. Today's confidence data adds an upside risk to our 0.4% quarter-on-quarter GDP growth forecast for 4Q21; contagion developments, with Omicron hitting Italy with a delay, could well weigh on 1Q22 growth, though.

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