

Italian confidence data still mixed in February

The improvement in consumer confidence contrasts with the deterioration on the business front, with the exception of manufacturing. However, there is still no evidence of an imminent exit from stagnation



A highly uncertain external economic and geopolitical backdrop is still taking its toll on business confidence, which deteriorated in February in all sectors but manufacturing. Consumers, instead remained relatively upbeat.

Consumers remain upbeat, possibly helped by resilient employment

Consumer confidence, which improved for the second consecutive month, was the bright spot in today's release. While reporting a deterioration in the current economic situation, consumers do not see a negative impact on their budgetary position nor show increasing concerns about future unemployment. Interestingly, they report a growing willingness to purchase durable goods.

Apparently, the mix of stable employment, relatively low inflation and decent wage growth when combined with declining interest rates is being perceived as sustainable rather than temporary. Consequently, private consumption looks to be a robust engine for growth, at least for the time being.

Confidence in manufacturing plateauing

For the second month in a row, manufacturing is not the weak spot. Here, confidence posted a minor improvement in February. To be sure, this looks like confirmation of a pattern of stabilisation rather than evidence of an imminent rebound. Even with a slight improvement in orders, the stability in the inventory indicator suggests that conditions are still not ripe for the commencement of a substantial re-stocking cycle. This interpretation aligns with the anticipated softer production.

Construction confidence more resilient than feared

The small decline in construction confidence leaves the index at relatively high levels, confirming that the phasing out of the superbonus incentive is not inducing a free fall in construction activity. The concurrent impact of infrastructure investment propelled by recovery funds is clearly helping to compensate. Interestingly, the decline in confidence in construction is not mirrored in declining employment expectations, even in the dwelling subsector. Whether this reflects increasing labour supply scarcity or lingering expectations of a cyclical upturn is yet to be ascertained, though.

Declining confidence in services deserves close monitoring

The most worrying part of today's release was in the services domain, where confidence declined for the second time in a row. Here, the deterioration was broad based, encompassing transport and storage, information and communication and other services, with the exception of tourism, where confidence improved for the fourth time in a row. Against a backdrop of stagnating manufacturing, the role of services as a growth driver remains essential, at least in the short run.

All in all, February confidence data confirms that the first quarter of 2025 is not set to mark a radical change to the soft end of 2024. Softening confidence in services deserves close monitoring, given that the manufacturing recovery will take time to materialise. We are still expecting small positive GDP growth in the first quarter, but a flat reading would not come as a big surprise.

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