

## Mixed signals from Italian confidence data in November

Initial signs of improvement among consumers and manufacturers and continued weakness in services and construction point to a continuation of the economic soft patch in the fourth quarter



### Consumer confidence improves after four consecutive declines

Consumer confidence picked up on the month to 103.6 (from 101.6 in October), interrupting a streak of four consecutive declines. The improvement in the subcomponents is broad-based, encompassing the judgement on the current and future economic situation, the opportunity to save and to purchase durable goods. Only the expectation on future unemployment posted a modest deterioration. The resilience in the labour market and the deceleration in inflation are likely helping households to protect their balance sheet. The improvement in retailers' confidence, admittedly driven by the sales expectation component, and not by current sales, seems to fit the picture.

### Manufacturers slightly more upbeat in November after a long negative streak

Confidence also slightly improved to 96.6 (from 96.1 in October) among manufacturers after

posting seven consecutive declines. Here, the improvement was driven by improving expectations on production, reflecting slightly softer inventories rather than improving orders. The current production indicator remains under pressure, though.

## Confidence down in construction, driven by residential builders

The decline in construction confidence to 161.3 (from 163.8 in October) was driven by a sharp fall in the residential building component, possibly reflecting the ongoing phasing out of the generous tax incentives. The accelerating improvement in the specialised works component, however, could well gather pace in the investment part of the recovery and resilience plan.

## Further deterioration in services

The decline in services confidence continued in November, with the index down to 96.4 (from 98), building on soft readings in transport and storage and in tourism. The latter provides additional evidence that the reopening effect is indeed tailing off.

All in all, today's release points to a continuation of the economic soft patch over the last quarter of 2023. Manufacturing remains weak and the softening confidence in both construction and services highlights the risk of a slightly negative reading for GDP growth in the quarter, which is our new base case. For a gradual improvement in the Italian economic picture, we will likely have to wait for the second quarter of 2024.

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