



At the end of 2023, international economic perspectives remain uncertain due to geopolitical tensions, the resolution of which is not imminent, and still tight financial conditions for households and firms.

In November, the industrial production index in Italy recorded a further decline that was more pronounced than that of the previous month. The decline was widespread across all main index's components.

The households' purchasing power, after the fall in the fourth quarter of 2022, is on an upward path. The same dynamic was observed for saving rate which, however, continues to remain lower than pre-Covid levels.

Labour market conditions remain solid. In November, compared to the previous month, the number of employed and inactive people increased, while the number of unemployed people decreased.

In 2023, on average, inflation measured with the harmonized consumer price index (HICP) fell to 5.9% from 8.7% in 2022, progressively reducing over the course of the year and reaching 0.5% in December. Since October, inflation in Italy has been lower than the euro area average.

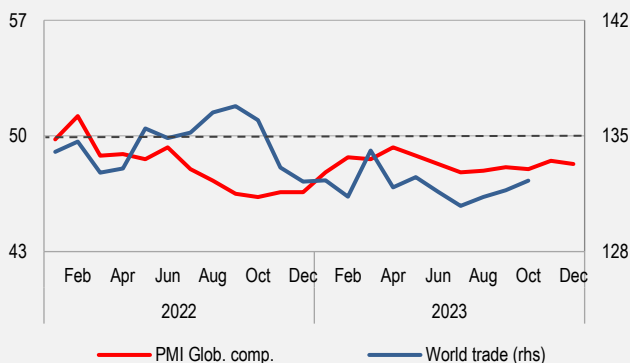
In December, consumer and businesses confidence improved, with increases spread across the components of the indices, returning to the levels of July 2023.

The report on the Italian economy will be released on March 12. It will be renewed and become bimonthly and will include focuses on economic and methodological issues.

### 1. MERCHANDISE WORLD TRADE IN VOLUME AND PMI

#### GLOBAL COMPOSITE NEW EXPORT BUSINESS

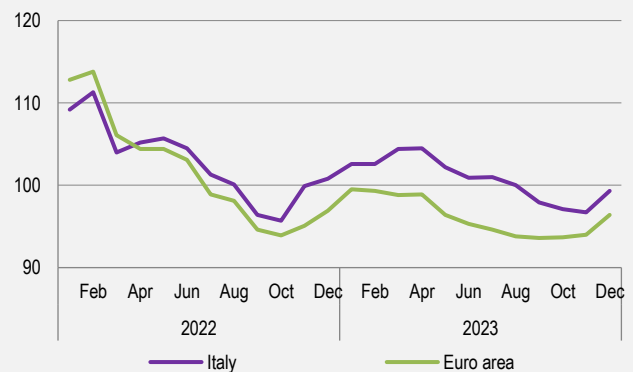
(index base 2010=100; >50 = growth)



Source: CPB and IHS

### 2. ECONOMIC SENTIMENT INDICATOR

(index base 2010=100; seasonally adjusted)



Source: European Commission

## THE INTERNATIONAL ENVIRONMENT

At the end of 2023, international economic perspectives remain uncertain due to geopolitical tensions, the resolution of which is not imminent, and still tight financial conditions for households and firms. World Merchandise trade in volume increased with 0.4% in October compared to the previous month, (+0.3% in September). Most noteworthy is the increase of imports of China. In November and December, however, the PMI Global composite new export business remained below the expansion threshold, suggesting a decreasing trend for the coming months (Figure 1).

In all the main countries, there continued to be a generalized decline in inflation, accompanied by still solid labour market conditions, which mainly reflected the decline in the prices of energy raw materials. The uncertainty that characterizes the international scenario, however, remains high and new price increases cannot be ruled out if the cost of energy returns to being a risk factor, also affected by geopolitical tensions in the Middle East.

In the euro area, inflation increased in December (2.9% in December from +2.4% in November). and this trend could continue into the first part of this year. The latest data seems to confirm the ECB's forecast according to which the consumer price index, after reaching a minimum in November, should stabilize during 2024 still above the target of the central bank of 2% and then decelerate again the year after.

Perspective for the euro area improved. The Economic Sentiment Indicator (ESI) in November and December, increased. In December the improvement of the ESI was driven by higher confidence among consumers and managers in retail trade, services, and construction, while confidence in industry remained broadly unchanged. At national level, the ESI improved in Italy (+2.6), Spain (+2.4) and Germany (+2.4), while it eased in France (-0.5).

## THE ECONOMIC SITUATION IN ITALY

In November, the industrial production index in Italy recorded a further decline in the month on month series that was more pronounced than that of the previous month (-1.5% and -0.2%). The decline was widespread across all major index components.

As for the external trade, in October seasonally-adjusted data, compared to September, increased both for exports (+3.8%) and for imports (+2.8%). In November, in seasonally adjusted terms, exports with non-EU27 decreased by 3.0% and imports by 3.1% compared with October.

In the third quarter, households' purchasing power, after the fall in the fourth quarter of 2022, is on an upward path. The same dynamic was observed for the saving rate which, however, continues to remain lower than pre-Covid levels.

Labour market conditions in Italy remain favourable. In November, the number of both employed and inactive people rose, while unemployed persons fell. The unemployment rate decreased to 7.5% (-0.2 p.p.), the youth rate to 21.0% (-2.5 p.p.). In the same month, estimates for seasonally adjusted index of value and volume sales (+0.4% and +0.2% respectively in the month on month series).

Consumer inflation in 2023 was on average 5.7%, in strong deceleration compared to the previous year (+8.1% in 2022). The national consumer price index for the entire community (nic) over the year progressively dropped from 11.6% in December 2022 to 0.6% in December 2023, reaching the lowest value since the first quarter of 2021.

In the same month, according to preliminary estimates, the Italian harmonised index of consumer prices (HICP) increased by 0.5% on annual basis (from +0.6% in November). In 2023, the average annual rate of change of HICP was 5.9% (+8.7% in 2022), since October the Italian HICP inflation has been lower than euro area average.

## THE OUTLOOK

Surveys suggest signals of improvements for the coming months. In December, consumer and businesses confidence improved, with increases spread with some exceptions across the components of the indices, returning to the levels of July 2023.

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