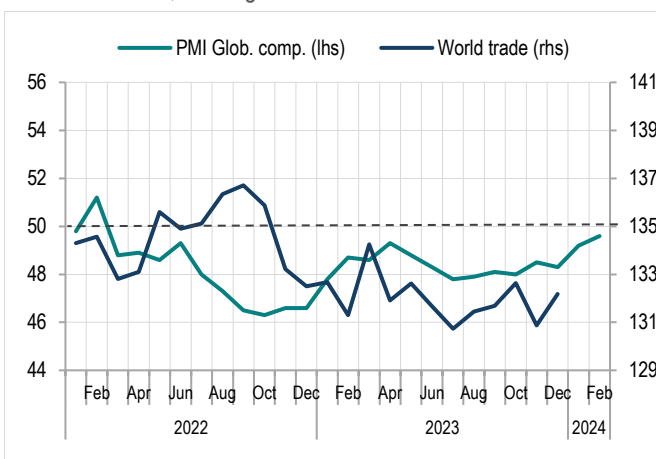


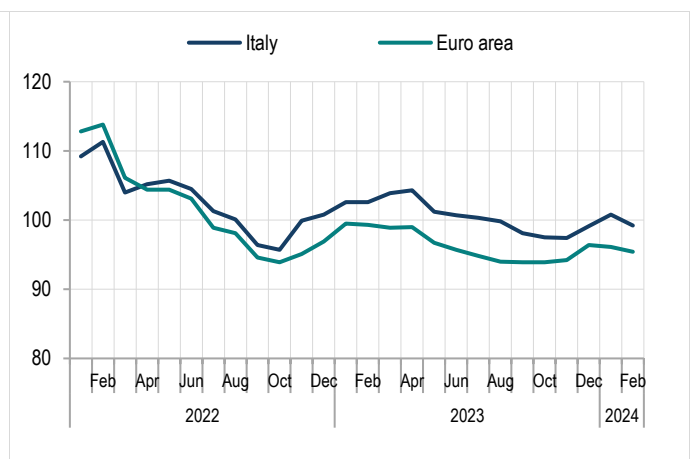
- The global economy at the beginning of 2024 remains characterized by subdued growth prospects, penalized by a phase of high uncertainty on the evolution of geopolitical tensions.
- The Italian economy recorded an average GDP growth of 0.9% last year, decelerating compared to 2022 but with greater dynamism than the euro area average.
- In the fourth quarter 2023, the value added of the manufacturing industry showed a substantial stability. The services sector also stabilized while the construction sector continued to grow.
- Foreign trade is decreasing. In the fourth quarter of 2023, both Italian exports and imports in value confirmed a downsizing.
- After six months, employment fell again in January. The decrease involved only men and individuals under 35 years of age. Employment fell among temporary employees and self-employed workers. Unemployment rate stabilised at 7.2%.
- Since October 2023, the growth rate of the harmonized index of consumer prices (HICP) in Italy, the only one among the four major euro area countries, has fallen below 2.0%, well below the average of the euro area.
- The signals from the surveys are mixed. In February, business confidence worsened while consumer confidence continued to grow and reached its highest level since June 2023.

FIGURE 1. MERCHANDISE WORLD TRADE IN VOLUME AND PMI GLOBAL COMPOSITE NEW EXPORT BUSINESS. Index base 2010=100, >50 = growth



Source: CPB and HIS

FIGURE 2. ECONOMIC SENTIMENT INDICATOR (ESI). Index base 2010=100, seasonally adjusted



Source: European Commission

THE INTERNATIONAL ENVIRONMENT

The global economy at the beginning of 2024 remains characterized by subdued growth prospects, penalized by the phase of high uncertainty. Economic performances last year were heterogeneous, with robust growth in the United States and China and a more moderate dynamic in most euro area countries, among which Germany presented the most disappointing results.

On the supply side, attacks on commercial shipping in the Red Sea in early 2024 have made access to the Suez Canal riskier and altered global trade routes. As a result, shipping costs have increased and delivery times have become longer. Continuing attacks could spread rising shipping costs throughout international supply chains affecting production and consumer prices.

World trade continues to go through a phase of weakness. In 2023, global demand for goods and services in volume decelerated sharply, with a modest average increase of 0.4%. Furthermore, the main economic indicators suggest that the strong dynamism observed in international trade in the two-year post-pandemic period (+10.9% and +5.2% increase in goods and services in volume according to the IMF in 2021 and 2022) may have run out. The global PMI on new export orders, which anticipates the trend of world trade, from February 2022 in the first two months of this year, despite having risen, remained below the expansion threshold (Figure1).

The euro area economy was negatively affected by a deterioration in consumer confidence, the asymmetric effects on energy prices and the adverse reaction of the manufacturing sector and private investments to the tightening of credit conditions. The average result in 2023 was particularly disappointing (+0.5%, in deceleration from +3.4% the previous year) and summarized heterogeneous performances among the main Euro economies. In national detail, Spain, still recovering from the strong recession of 2020, grew by 2.5% (+5.8% in 2022) and France by 0.9% (+2.5% in 2022). Germany was the only one of the main Euro countries to record a decline in GDP (-0.3% in 2023), having been most affected by supply difficulties and increases in the prices of energy products caused by geopolitical tensions.

The growth prospects for the area remain subdued. The European Commission Economic Sentiment Indicator (ESI) fell by 0.7 points in February (Figure 2) due to lower confidence in services, retail trade and construction, while confidence remained broadly stable in industry and has increased slightly among consumers. Across major economies, ESI deteriorated in Italy (-1.6 points) and to a lesser extent in Germany (-0.6), France (-0.3) and Spain (-0.2).

THE ECONOMIC SITUATION IN ITALY

In 2023, GDP in Italy grew by 0.9%, decelerating compared to 2022 (+4.0%) but with greater dynamism than the euro area average (+0.4%).

As regards the quarterly profile, in the last part of the year after the growth recorded in the previous three months, the gross domestic product (GDP), expressed in chained values with the reference year 2015, corrected for calendar effects and seasonally adjusted, marked a positive economic change (+0.2%). The carry over growth for 2024 is equal to 0.2%.

Italian foreign trade has declined. In the fourth quarter of 2023, both Italian exports and imports in value, despite having recorded a slight increase in cyclical terms, confirmed a decline compared to 2022 already observed in the second quarter of the year. This trend was affected by, on the one hand, the drop in raw material prices which contributed to the gradual reduction in the dynamics of average unit values, and on the other hand the decline in exported and imported volumes which have already been decreasing since the end of 2022.

After six months, employment in Italy began to decline again in January with the number of employed people amounting to 23 million 738 thousand units. The decrease involved only men (-0.4%) and individuals under 35 years of age; employment fell among fixed-term employees and the self-employed. The employment rate, equal to 61.8%, decreased by 0.1 percentage points compared to December.

Unemployment also decreased, albeit slightly, compared to the previous month (-0.2%) due to a decline that affects only men and is widespread among 15-24 year olds and 35-49 year olds. In the monthly comparison in January, the total unemployment rate, which in the euro area fell to 6.4%, is stable at 7.2%, while the youth rate rose to 21.8% (+0.2 points). Finally, compared to December, the inactivity rate increased to 33.3% (+0.2 points).

Consumer inflation, after reaching a peak close to 12% at the end of 2022 and significantly decreasing in 2023, has stabilized at values below 1% since last November, amounting to 0.8% in the first two months of 2024. The recent low trend dynamics of the NIC index reflected the sharp decline in the prices of energy goods that took place in 2023 for both regulated and unregulated ones, which brought them to a level that in the first two months of 2024 was approximately 19% lower than the corresponding period of 2023.

Inflation measured on the harmonized consumer index (HICP) has fallen below 1% since November 2023, amounting to 0.9% in both the first months of 2024. Since October 2023, the trend growth of the HICP index in Italy, the only one among the four major euro area countries, has fallen below 2%, below that of the euro area average. The differential has reached -2.4 percentage points in December and was equal to -1.9 and -1.7 in the first two months of 2024. In February, inflation in Italy was 1.8 points lower than that recorded in Germany (+2.7%), 2 points compared to Spain (+2.9%) and 2.2 points compared to France (+3.1%).

THE OUTLOOK

In the first months of 2024, the signals coming from surveys on the confidence climate are mixed. For businesses, the confidence, after having increased in January for the second consecutive month, although decelerating compared to December, in February marked a sharp decline across all sectors. The sectors that recorded the most marked declines were retail trade and construction, a sector in which all variables recorded a negative evolution. In manufacturing, opinions on orders and production expectations worsened, accompanied by a decrease in inventories.

Differently, consumer confidence has continued to grow since last November, reaching in February the highest level since June 2023. The rise in the index is due to the improvement in opinions on the family's financial situation, an evolution consistent with the positive trend in opinions on savings and the convenience of purchasing durable goods in the current phase.

For technical and methodological information

Roberta De Santis

tel.+39 06 4673 7294

rdesantis@istat.it

Stefania Rossetti

strossetti@istat.it

tel. +39 06 4673 7264