# Monthly Report

Istat

Global GDP growth is still softening. Oecd composite leading indicators show that the economic activity will decelerate further in the coming months.

In Q4 2018, the Italian Gdp decreased by 0.1% q-o-q due to the negative contribution of inventories that more than offsets the domestic demand and net exports positive ones. The value added in the services increased while in the industrial sector is still decreasing.

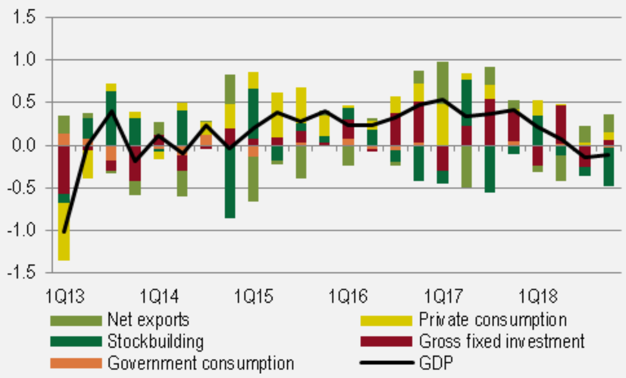
In 2018, full time employment grew by 0.8% (+0.9% in 2017). The positive momentum has continued in January with a slight increase of employment characterized by the permanent positions

In February, inflation increased but the core inflation remained moderate.

Households and firms confidence deteriorated. The leading indicator decreased further confirming that the Italian economy cyclical position is still negative.

**1. CONTRIBUTION TO GDP GROWTH**

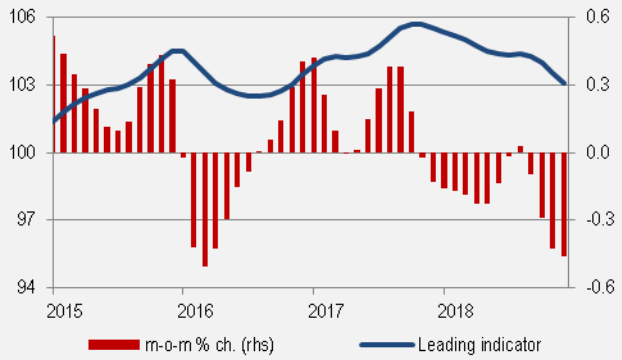
(y-o-y and % change)




Source: Istat

**2. LEADING INDICATOR**

(base 2005=100 and % change)




Source: CPB and IHS

## THE INTERNATIONAL ENVIRONMENT

Global GDP growth is still softening. Oecd composite leading indicators show that the economic activity will decelerate further in the coming months. In December, according to CPB data the merchandise World trade in volume decreased by 1.7% (-1.8% in November). Overall, international trade in 2018 increased by 3.3% (+4.7% in 2017). The main World economies in the first months of this year experienced a further deceleration of the economic activity.

In the euro area, in February, the European sentiment indicator (ESI) elaborated by the European Commission reached the minimum value since the half of 2016, suggesting that the slowing of the economic activity in the euro area will continue in the coming months. The confidence decreased for the third time in a row in the industrial sector while increasing in services, retail trade and for consumers.

The outlook for the area remains negative. In February, €-coin index fell again, returning to the levels recorded in early 2015. The main factors that contributed negatively were the decline in business confidence and the slowdown in foreign sales.

## THE ECONOMIC SITUATION IN ITALY

In the fourth quarter of 2018, the seasonally and calendar adjusted, chained volume measure of Gross Domestic Product decreased by 0.1% with respect to the previous quarter and remained stable in comparison with Q4 2017 (Figure 1). This result was due to a negative contribution of inventories (-0.4 pp) that more than offsets the domestic demand and net exports positive ones (+0.1 and +0.2 pp respectively). As for the supply side, the value added in the services increased (+0.1% q-o-q) while in the industrial sector continued to decrease (-0.5%).

In 2018, exports increased by 3% in line with Italian main European partners (Germany and Spain) with the exception of France which experienced a more dynamic performance. Exports grew mostly towards European Union markets (+4.1%), while the dynamic was more moderate in the extra EU markets (+1.7 %). However, in January 2019 exports to non-EU countries increased by 5.9% compared with the previous month.

In 2018, full time employment grew by 0.8% (+0.9% in 2017). The positive momentum has continued in January with a slight increase of employment characterized by the permanent positions.

In February, inflation increased. The consumer price index (NIC) grew by 1.1% y-o-y but the core inflation increased by only 0.5%. The gap with Eurozone reduced for NIC but remained stable for the core inflation. Short-term expectations on prices of manufacturing companies and households remain moderate.

## THE OUTLOOK

In February, the surveys signal with no exceptions that the outlook is still negative. Consumer confidence recorded a worsening of the opinions on general economic situation and future prospects but with an improvement on unemployment expectations. In the business sector, the confidence deteriorated in all the sectors but the retail trade.

The leading indicator (Figure 2) decreased further confirming the Italian economy negative cyclical position.