

Risks related to the international economy outlook remain to the downside, considering the ongoing trade conflicts between China and the United States, the uncertain outcome of Brexit and the generalised slowdown of the World trade.

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In January, according to CPB data, the merchandise World trade in volume increased by 2.3% (-2.1% in December) but global leading indicators still point downwards.

In Italy, the industrial production index is back on a positive pattern as well as the industrial orders.

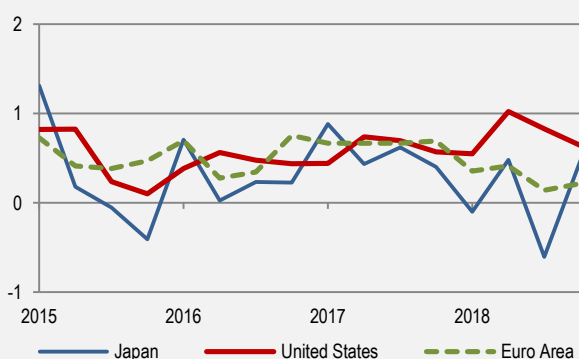
February data confirmed a substantial stability of the Italian labour market conditions and unemployment increased only marginally.

The euro area inflation decelerated but the inflation differential in favor of Italy is confirmed.

Consumers and manufacturing firms confidence deteriorated further. The leading indicator continued to decrease although at a decelerating pace showing that Italian economy perspectives are uncertain.

1. GDP UNITED STATES, EURO AREA, JAPAN

(q-o-q and % change)



Source: Istat

2. LEADING INDICATOR

(base 2005=100 and % change)



Source: Istat

THE INTERNATIONAL ENVIRONMENT

Risks related to the international economy outlook remain to the downside, considering the ongoing trade conflicts between China and the United States, the uncertain outcome of Brexit and the generalised slowdown of global economic activity. In January, according to CPB data, the merchandise World trade in volume increased by 2.3% (-2.1% in December) but global leading indicators still point downwards. Chinese economy, one of the main drivers of global growth, is showing signals of deceleration.

In the last quarter of 2018, the decoupling between USA and Euro area growth rates continued (Figure 1). GDP growth in the Euro area remained weak in the last quarter of 2018, increasing by 0.2% (after 0.1% in Q3). This slowdown is due to weakening growth of gross fixed capital formation and net foreign demand and, at country level, was mainly related to Germany and Italy performances.

The outlook for the area remains negative. A further decrease in the economic sentiment indicator (ESI) suggests that the economic slowdown is likely to continue. In March, the ESI recorded the tenth fall in a row. The sentiment in the manufacturing sector has been moving continuously downwards, whereas services and consumer confidence have recovered slightly during the last months. In the same month, €-coin index fell again for the fifth following time due to the decline in business confidence and the slowdown in foreign sales.

According to the Eurozone economic Outlook (EZEO, source IFO, Istat, KOF), GDP growth in the first three quarters of the year is expected to remain weak with the lowest growth rate in the first quarter driven by positive contribution of internal demand.

THE ECONOMIC SITUATION IN ITALY

Despite some positive signals, the outlook for the Italian economy remain subdued. In January 2019, the seasonally adjusted industrial production index increased by 1.7% compared with the previous month. Even with this monthly sharp increase, the percentage change of the average of the last three months with respect to the previous three months, remained negative (-1.8%).

For what concern the external sector, in January, seasonally-adjusted data for exports showed an increase (2.5% with respect to the previous month). More in details, exports rose for non-Eu countries (+5.9%) and remained stable for Eu countries (0.0%). In February, however, in seasonally-adjusted terms, exports towards non-Eu countries decreased by 2.2% m/m offsetting part of the sharp increase of the previous month.

February data confirmed a substantial stability of the Italian labour market: the unemployment rate grew up only marginally to 10.7% (+0.1 percentage points). In the period from December 2018 to February 2019, employment remained stable compared with the previous quarter.

According to preliminary estimates, in March 2019, the Italian consumer price index (NIC) increased by 1.0% with respect to March 2018, confirming a trend in act since the past December. The most volatile index components showed divergent annual dynamics. The core inflation, stabilized on its historically low levels (+0.5%), due to the absence of internal pressures and the uncertainties on consumption demand.

THE OUTLOOK

In March, consumers and manufacturing confidence deteriorated further. The leading indicator continued to decrease although at a decelerating pace showing that perspectives for Italian economy remain uncertain (Figure 2).