

According to recent data the international economy is still showing signs of weakness diffused to an increasing number of countries. Risks remain tilted to the downside.

In Italy, in the first quarter of 2019 the seasonally and calendar adjusted, chained volume measure of Gross Domestic Product (GDP) increased by 0.2% with respect to the previous quarter, interrupting the marginally negative trend of the second half of 2018.

In March, the labor market conditions improved. Employment rate increased while unemployment decreased although remaining above the euro area average.

Inflation increased marginally with a lower intensity than in the euro area as a whole. Also in terms of core inflation, the gap widened.

In April, the consumer confidence decreased for the third time in a row. The worsening was broad-based to all the components. The leading indicator continued to fall although at a decelerating pace with respect to the previous period showing that Italian economy perspectives might improve in the coming months.

### 1. LEADING INDICATOR

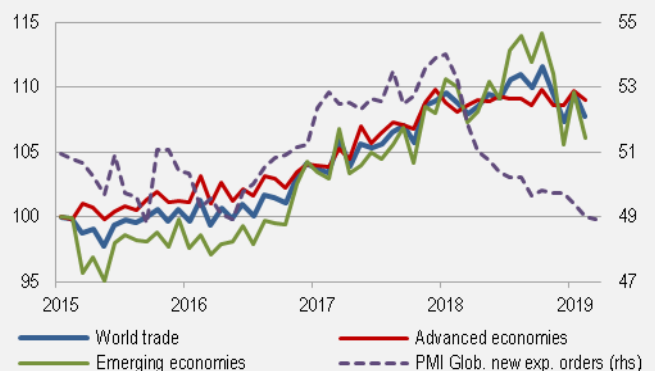
(base 2005=100 and % change)



Source: Istat

### 2. WORLD TRADE AND PMI GLOBAL

(base 2015=100; SA)



Source: CPB and IHS

## THE INTERNATIONAL ENVIRONMENT

The international economy according to recent data is still showing signs of weakness diffused to an increasing number of countries. Risks remain tilted to the downside. In February, according to CPB data the merchandise World trade in volume decreased 1.7% m-o-m, partly offsetting the positive result of January (+2.1%). The leading indicator PMI Global on new export orders in manufacturing in April was still below the threshold of 50. It suggests that the recovery will not be imminent.

In the euro area, seasonally adjusted GDP rose by 0.4% in Q1 2019 (0.2% in Q4), compared with the previous quarter. The result combines positive performances in Italy (0.2%), France (0.3%) and Spain (0.7%). Despite the positive GDP figures, in April, the major leading indicators for the euro area worsened further. The €-coin fell for the sixth month in a row (from 0.20 in March to 0.18 in April), returning to the levels of early 2015. The indicator continued to be held back by the further deterioration in business confidence and weak international trade.

Also the Economic Sentiment Indicator (ESI) recorded by the European Commission decreased markedly (by 1.6 points to 104.0). The deterioration of euro-area sentiment resulted from lower confidence in all sectors but services and amongst the largest euro-area economies, the ESI decreased more significantly in Germany and Spain

## THE ECONOMIC SITUATION IN ITALY

In Italy, in the first quarter of 2019, the seasonally and calendar adjusted, chained volume measure of Gross Domestic Product (GDP) increased by 0.2% with respect to the previous quarter. The quarter on quarter change is the result of a negative contribution of the domestic component (gross of change in inventories) and a positive one of net exports. From the supply side, the increase of value added spread out all the sectors.

As for foreign trade, in February 2019 seasonally adjusted data, compared to January 2019, decreased for outgoing flows (-1.1%) and remained stable for imports. Exports fell both for non-EU countries (-2.3%) and EU countries (-0.2%). Over the last three months, seasonally-adjusted data, compared to the three months earlier, dropped both for imports (-1.7%) and exports (-0.2%).

In March, preliminary estimates for exports to non-EU countries decreased by 0.4% and imports increased by 0.4% compared with February 2019.

In March 2019, the Italian labor market showed signals of recovery. The number of employed people increased compared with February and the employment rate rose to 58.9% (+0.2 percentage points). The unemployment rate decreased (10.2%) although remaining well above the euro area average (7.7%).

According to preliminary estimates, in April 2019 the Italian consumer price index for the whole nation (NIC) increased by 1.1% with respect to April 2018, up from +1.0% in the previous month. The core inflation excluding energy and unprocessed food was +0.6% recording the first increase since last August.

## THE OUTLOOK

In April, the consumer confidence decreased for the third time in a row. The worsening was broad-based to all the components. The business confidence decreased too after an improvement in March.

The leading indicator continued to decrease although at a decelerating pace with respect to the previous period, showing that Italian economy perspectives might improve in the coming months.