Monthly Report

On the Italian Economy

5

MAY 2019

In May, uncertainty concerning the future of the international trade relationships persisted. USA and China have not reached yet a deal and the bilateral agreements between USA and EU and Japan are still at a preliminary stage.

In Italy, in Q1 2019 the seasonally and calendar adjusted, chained volume measure of Gross Domestic Product (GDP) increased by 0.1% to the previous quarter driven by final consumption expenditure, gross fixed capital formation and net exports mainly because of a sharp fall in imports.

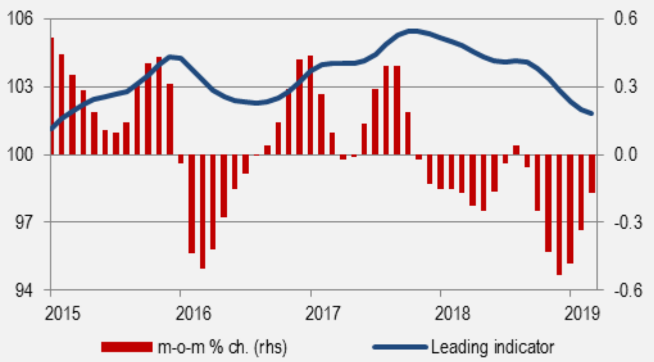
In Q1, hours worked increased at a pace stronger that GDP while in April labour market conditions remained stationary.

Inflation decelerated confirming the gap with respect to the euro area average also for the core component.

In May, the consumer confidence increased driven by the economic and current component. In the same period, the improvement in business confidence was broad based. The leading indicator continued to decrease although at a decelerating pace with respect to the previous periods, suggesting that Italian economy will continue to stay on a moderating path.

1. LEADING INDICATOR

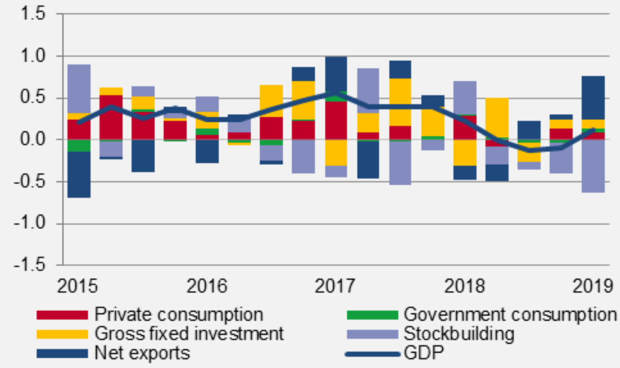
(base 2005=100 and % change)



Source: CPB and IHS

2. CONTRIBUTION TO GDP GROWTH

(q-o-q and percentage points)



Source: Istat

THE INTERNATIONAL ENVIRONMENT

In May, uncertainty concerning the future of the international trade relationships persisted. USA and China have not reached yet a deal and the bilateral agreements between USA and EU and Japan are still at a preliminary stage.

The GDP second release confirmed that the euro area economy accelerated to a 0.4% in Q1 2019. At the same time, the euro labor market showed a recovery with the unemployment rate in April down to a decade-low of 7.6%. As for the supply side, in March industrial production decreased by 0.3% m-o-m, however, the increase of the January-March figures average over the previous quarter was positive.

After several months, the short run perspectives and the confidence in the euro area improved. The €-coin index, following six consecutive decreases, increased marginally benefiting from the positive performance of car registrations and retail sales and the recovery in business and consumer confidence. The contribution of industrial activity on the contrary remained weak. In the same month, the Economic Sentiment Indicator (ESI) recorded by the European Commission increased in the euro area. Amongst the largest economies, the ESI increased sharply in France (+4.0), Italy (+1.7) and Spain (+1.3) and slightly in Germany (+0.4).

THE ECONOMIC SITUATION IN ITALY

In Italy, in Q1 2019 the seasonally and calendar adjusted, chained volume measure of Gross Domestic Product (GDP) increased by 0.1% to the previous quarter driven by final consumption expenditure, gross fixed capital formation and net exports, mainly because of a sharp fall in imports (1.5%). Inventories put a substantial drag on output growth offsetting the positive contribution of net exports and domestic demand (Figure 2).

In the period January-March 2019, seasonally-adjusted data, compared to the three months earlier, increased for exports (+0.5%) and dropped for imports (-3.4%). In April, exports to non-EU countries increased by 6.7% and imports increased by 7.4% compared with the same month of the previous year.

In the labour market, after the substantial increase recorded in March, in April the estimate of employment remained unchanged compared to the previous month as well as the employment and unemployment rates (10.2%).

In May, the inflation decelerated to 0.9% y-o-y (1.1% in April). The gap with the euro area persisted broad based to all the components but the energy.

THE OUTLOOK

In May, the consumer confidence increased driven by the economic and current component. The upturn in the future perspective component was rather limited. In the same period, the improvement in business confidence was broad based. The leading indicator continued to decrease although at a decelerating pace with respect to the previous periods, suggesting that Italian economy will continue to stay on a moderating path (Figure 1).