

Recovery signals for the international economy were scant. Data surprised mostly to the downside both in advanced and emerging countries.

In the euro area, GDP growth is expected to slow down slightly in the second quarter due to weaker industrial production but it should pick up slightly afterwards.

Italian economy remains on a moderate growth path nevertheless labour market conditions and household purchasing power are continuing to improve.

In April, the seasonally adjusted industrial production index decreased for the second time in a row by 0.7% compared with the previous month.

In May, the estimate of employed people increased in comparison with the previous month and the unemployment rate decreased sharply.

Last month, inflation remained subdued mainly because of most volatile components slow dynamics. On the contrary, the core inflation, although remaining very low, increased marginally.

In June, consumer confidence decreased sharply and the deterioration was broad based. In the same month also the business confidence worsened. The leading indicator continued to decrease although on a decelerating path suggesting that Italian economy will continue to grow modestly.

1. LEADING INDICATOR

(base 2005=100 and % change)



Source: CPB and HIS

2. ECONOMIC SENTIMENT INDICATOR

(base 2010=100; seasonally adjusted)



Source: Istat



THE INTERNATIONAL ENVIRONMENT

In June, recovery signals for the international economy were scant. Data surprised mostly to the downside both in advanced and emerging countries. The negative shocks due to US protectionist policy put a drag on global trade, which, according to the latest Central Planning Bureau data, decreased in April by 0.7% m-o-m (+0.8% in March).

Last month, the short run perspectives and the confidence in the euro area worsened. According to the Eurozone Economic Outlook (EZEO), GDP growth is expected to slow down slightly in the second quarter due to weaker industrial production but it should pick up slightly afterwards. The €-coin index started to decline again reaching the lowest level recorded since December 2014. The indicator was held back by the slowdown in international trade, the weak industrial cycle and the related worsening in business confidence, which remains at levels that are still low, especially in manufacturing.

The Economic Sentiment Indicator (ESI) recorded by the European Commission decreased markedly. The deterioration of euro-area sentiment was driven by lower confidence in industry and, to a lesser extent, in services and among consumers, while confidence improved in retail trade and construction. The ESI decreased in all the main euro-area economies, most so in Germany (-2.9), followed by Italy (-1.5), France (-1.0) and Spain (-0.6) (Figure 2).

THE ECONOMIC SITUATION IN ITALY

Italian economy remains on a moderate growth path nevertheless labour market conditions and household purchasing power are continuing to improve. In April, the seasonally adjusted industrial production index decreased (for the second following time) by 0.7% compared with the previous month. The percentage change of the average of the last three months with respect to the previous three months, however, was positive (+0.7% m-o-m).

As for external trade, in the same month, seasonally-adjusted data, compared to March, increased both for outgoing flows (+0.3%) and for incoming flows (+0.9%). Exports rose for non EU countries (+0.4%) and EU countries (+0.2%). In May, in seasonally-adjusted terms, exports to non-EU countries increased by 0.8% compared with April. Over the last three months, seasonally-adjusted data showed a 0.5% increase in exports and a 0.2% increase in imports in comparison with the previous three months.

In the labour market, after the stability observed in April, in May, the estimate of employed people increased in comparison with the previous month and the unemployment rate decreased sharply.

In June, the inflation remained subdued mostly because of the most volatile components slow dynamics. On the contrary, the core inflation increased, although remaining very low, increased marginally (0.5% from 0.4% in May).

THE OUTLOOK

In June, consumer confidence decreased sharply and the deterioration was broad based, in the same month also the business confidence worsened.

The leading indicator continued to decrease although on a decelerating path suggesting that Italian economy will continue to grow modestly (Figure 1).