

Geopolitical turbulences, associated to uncertain evolution of trade agreements and the increased probability of hard Brexit, affected negatively the international outlook. In June, World merchandise trade decreased further.

In the second quarter of 2019, in Italy, the seasonally and calendar adjusted, chained volume measure of Gross Domestic Product (GDP) was stable with respect to the previous quarter. This result synthetizes inventories negative contribution and domestic demand positive one. Net export provided a null contribution to GDP growth.

The slowing of economic activity affected also the labour market. After the growth observed in the previous months, in July the estimate of employed people decreased and the unemployment rate increased marginally.

Subsequently the deceleration in the previous three months, in August the inflation marginally accelerated, with the core component displaying a larger increase than that in the headline index. The inflationary gap with the euro area reduced moderately.

In August, the consumer and business confidence worsened. The leading indicator, affected by the outlook negative evolution, decreased suggesting that the Italian business cycle will remain weak in the coming months.

### 1. LEADING INDICATOR

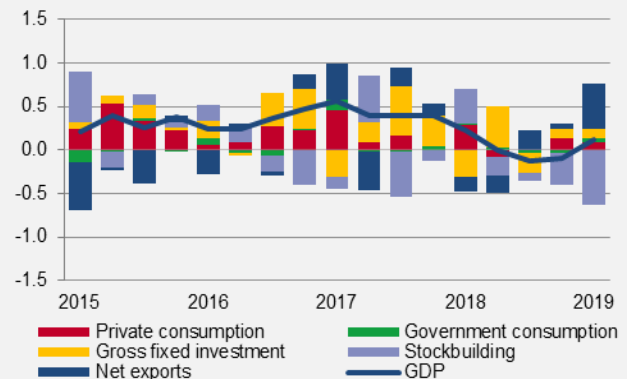
(base 2005=100 and % change)



Source: CPB and HIS

### 2. CONTRIBUTION TO GDP GROWTH

(q-o-q and percentage points)



Source: Istat

## THE INTERNATIONAL ENVIRONMENT

Geopolitical turbulences, associated to uncertain evolution of trade agreements and the increased probability of hard Brexit, affected negatively the international outlook. In June, according to the latest Central Planning Bureau data, World merchandise trade decreased by 1.4% with respect to the previous month (+0.6% in May). Perspectives for international trade remain negative as showed by the Global PMI index on new export orders which in July was under the expansion threshold for the 11th months in a row.

The short run perspectives and the confidence in the euro area continue to be sluggish. In August, the €-coin index, after a temporary improvement in July, continued its decline. The indicator was adversely affected by the slowdown in international trade, the weak industrial cycle and the worsening in business confidence, especially in the manufacturing sector.

In the same month, the European Commission Economic Sentiment Indicator (ESI) increased slightly in the euro area (by 0.4 points). The modest improvement of euro-area sentiment resulted from higher confidence in industry and retail trade. Amongst the largest euro-area economies, the ESI rose strongly in Spain (+1.9) and edged up in Germany (+0.4), while it remained broadly stable in France (+0.1) and decreased in Italy (-0.9).

## THE ECONOMIC SITUATION IN ITALY

In Q2 2019, the seasonally and calendar adjusted, chained volume measure of Gross Domestic Product (GDP) was stable with respect to the previous quarter. This result synthesizes inventories negative contribution and domestic demand positive one (-0.3 pp. and +0.3 pp. respectively). Net export provided a null contribution to GDP growth. (Figure 2). As for the supply side, in Q2, the value added in the industry (excluded construction) decreased (-0.4% m-o-m) while the services recorded a moderate recovery (+0.1% m-o-m).

With regard to external trade, in June, seasonally-adjusted data, compared to May, increased for outgoing flows (+1.2%) and decreased for incoming flows (-2.1%). Exports rose for non-EU countries (+3.9%) and fell for EU countries (-1.0%). Imports decreased by -3.1% for EU countries and by -0.5% for non-EU countries.

The slowing of economic activity affected also the labour market. After the growth observed in the previous months, in July the estimate of employed people decreased (-0.1%) and the unemployment rate increased marginally (9.9%).

Subsequently the deceleration in the previous three months, in August the inflation marginally accelerated, (+0.5% from +0.4% in July) with the core component displaying a larger increase than that in the headline index. The inflationary gap with the euro area reduced moderately.

## THE OUTLOOK

In August, the consumer and business confidence worsened. The leading indicator, affected by the outlook negative evolution, decreased suggesting that the Italian business cycle will remain weak in the coming months (Figure 1).