

Geopolitical turbulences, rising protectionism and Chinese economy deceleration continue to affect negatively the international trade.

In Italy, latest data on GDP has shown a slight upwards revision with an increase in Q1 and in Q2 (+0,1%), but in July the Italian industrial production decreased for the second time in a row with a fall spread to all sectors but the energy one.

In the first six months of the year, the labour market improved conditions determined an increase of gross disposable income with positive spillovers on household's purchasing power and saving propensity.

In September, core and headline inflation remain moderate. Moreover, qualitative indicators suggest that in the short-term prices will continue to grow modestly.

Recent confidence indicators gave conflicting signals: consumer confidence improved slightly while the business confidence climate decreased with a particular fall in the manufacturing component.

The leading indicator remain negative confirming that the short-term perspectives for Italian production are weak.

### 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

Geopolitical turbulences, rising protectionism and Chinese economy deceleration continue to affect negatively the international trade. According to latest Central Planning Bureau data, in 2019, the carryover of merchandise international trade in volume, up to July, was negative (-0.2%) and it worsened strongly in comparison to the previous year one (+3,6%).

In the euro area, subdued consumer spending and exports were the main determinants of the Q2 slowdown in GDP growth. Data continue to show a decoupling between the weak manufacturing sector and the more resilient services sector.

In September, the qualitative indicators suggest that the outlook for the euro area remains unfavourable. The €-coin indicator decreased again remaining at levels that are compatible with a moderate expansion in economic activity in the euro area. In the same month, the Economic Sentiment Indicator (ESI) decreased markedly (by 1.4 points to 101.7, Figure 2). The fall in euro-area sentiment resulted from a substantial reduction of confidence in industry, and a slight decline in retail trade. Confidence improved among consumers and remained broadly stable in services and construction. Amongst the largest euro-area economies, the ESI decreased significantly in Spain (both -3.1) and Germany (-1.2) and to a lesser extent Italy (-0.8) and in France (-0.2).

According to the Eurozone Economic Outlook (EZEO) elaborated by IFO, KOF and Istat, Eurozone Gdp will grow by 0.2% in Q3 2019 with a slight acceleration in the following two quarters (+0.3% in both Q4 2019 and Q1 2020). The main driver of growth will be private consumption supported by good labour market conditions.

## THE ECONOMIC SITUATION IN ITALY

In Italy, latest data on GDP has shown a slight upwards revision with an increase in Q1 and in Q2 (+0,1%), but in July the Italian industrial production decreased for the second time in a row with a fall spread to all sectors but the energy one.

For what concern the supply side, in July, the seasonally adjusted industrial production index decreased (-0.7% m-o-m) for the second time in a row with a fall spread to all sectors but the energy one. The percentage change of the average of the last three months with respect to the previous three months was -0.3%.

As for external trade, in July seasonally adjusted data, compared to June 2019, decreased for outgoing flows (-2.3%) and for incoming flows (-0.5%). Exports fell for both for EU countries (-1.1%) and non-EU countries (-3.9%). In August, according to preliminary estimates, exports to non-EU countries increased by 0.9% in comparison with the previous month.

In the first six months of the year, the improved conditions of the labour market determined an increase of gross disposable income with positive spillovers on households' purchasing power and saving propensity.

After the slight decrease in the previous months, in August the estimate of employed remained stable while unemployed rate decreased (9.5%).

In September, according to preliminary estimates, the Italian consumer price index for the whole nation (NIC) increased (for the third time in a row) by 0.4% with respect to September 2018. The inflation dynamics, for both the headline and core indexes, remained lower than the euro area one by 0.6-percentage points.

## THE OUTLOOK

In September, the confidence indicators gave conflicting signals: consumer confidence improved slightly while the business confidence climate decreased with a particular fall in the manufacturing confidence component. The leading indicator remain negative confirming that the short-term perspectives for Italian production are weak (Figure 1).