MonthlyReport
On the Italian Economy

10

OCTOBER 2019

Recent indicators confirm the weakness of global outlook. Moreover, there are risks that slowing growth and trade tensions, until now more concentrated on manufacturing, may soon be taking a toll also on service sector activity.

In Italy, economy continues to grow modestly. In the third quarter, Gross Domestic Product increased by 0.1% with respect to the previous quarter with a stable dynamics in comparison to the previous three quarters. GDP rose 0.3% over the same quarter of the previous year and the carry over for 2019 is now 0.2%.

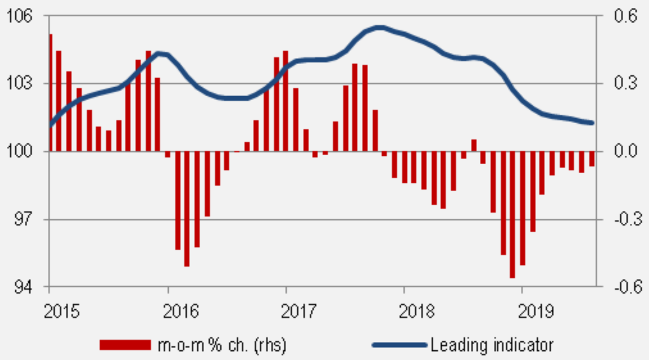
The subdued economic growth started to affect the labour market and the employment rate was stable in the third quarter.

The inflation gap with respect to the euro area remained negative.

In October, the business confidence climate, improved but, in the third quarter, the number of firms considering the lack of demand an obstacle to production increased.

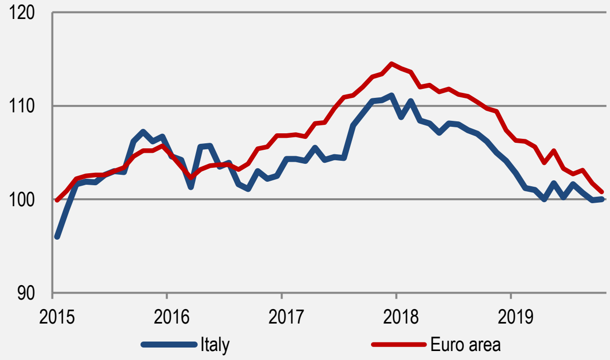
The steadying trend of the leading indicator continued and the latter remained consistent with a stabilization of current production levels.

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

Recent soft indicators confirm the weakness of global outlook. Moreover, there are risks that slowing growth and trade tensions, until now more concentrated on manufacturing, may now be taking a toll also on service sector activity.

In the third quarter, US GDP increased by 0.47% with respect to the previous quarter, in slight deceleration from the 0.50% q-o-q in Q2, while in the euro area, according to preliminary estimates, GDP growth stabilised at 0.2% q-o-q.

In October, the qualitative indicators suggest that the outlook for the euro area will remain subdued. The €-coin indicator fell further from 0.16 in September to 0.13, continuing the trend under way for the past twelve months.

In the same month, the Economic Sentiment Indicator (ESI) recorded by the European Commission decreased in the euro area (by 0.9 points to 100.8, Figure 2).

The deterioration resulted from lower confidence in industry, services, retail trade and among consumers, while confidence improved markedly in construction. Amongst the largest euro-area economies, the ESI remained broadly unchanged in Germany (−0.2), France (−0.1), Italy (+0.1) while it recorded another significant decrease in Spain (−3.0).

THE ECONOMIC SITUATION IN ITALY

In the third quarter, the seasonally and calendar adjusted, chained volume measure of Gross Domestic Product (GDP) increased by 0.1% with respect to the previous quarter and by 0.3 % over the same quarter of the previous year. The carry over for 2019 is now 0.2%.

As for external trade, in August seasonally-adjusted data, compared to July were stable for outgoing flows and increased for incoming flows (+1.8%). More in detail, exports fell for EU countries (-0.4%) and rose for non EU countries (+0.6%), moreover the latter in September increased further (2.5% m-o-m).

In September, the estimate of employed people lightly decreased (-0.1%, -32 thousand), while the employment rate stayed at 59.1%. Overall, in Q3 the employment rate remained stable. The unemployment rate, after the fall in August, rose again to 9.9% (+0.3 percentage points).

According to preliminary estimates, in October the Italian headline consumer price index for the whole nation (NIC) increased by 0.3% with respect to October 2018 (+0.8% the increase of core index).

Concerning consumer prices, the gap with respect to the euro zone remained negative by 0.5 p.p. for the headline index and 0.4 p.p. for the core component.

THE OUTLOOK

In October 2019, the consumer confidence index decreased slightly. With regard to its components: the personal, the current and the future one diminished, while the economic one bettered.

On the contrary, business confidence, improved but, in the third quarter, the number of firms considering the lack of demand an obstacle to production increased.

The steadying trend of the leading indicator continued and the latter remained consistent with a stabilization of current production levels (Figure 1).