

In the last part of 2019, in an international outlook characterized by generalized economic slowdown and high uncertainty, the euro area economy decelerated sharply.

In the fourth quarter of 2019, the seasonally and calendar adjusted, chained volume measure of GDP decreased with respect to the previous quarter. The average growth rate for 2019 is 0.2%.

The labour market confirmed its good conditions although the employment recorded a marginal decrease in December.

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

In January, the consumer confidence increased with the improvement spread across all the components. On the contrary, the business confidence climate worsened.

The leading indicator continued to be negative although on a decelerating path with respect to the previous months.

### 1. LEADING INDICATOR

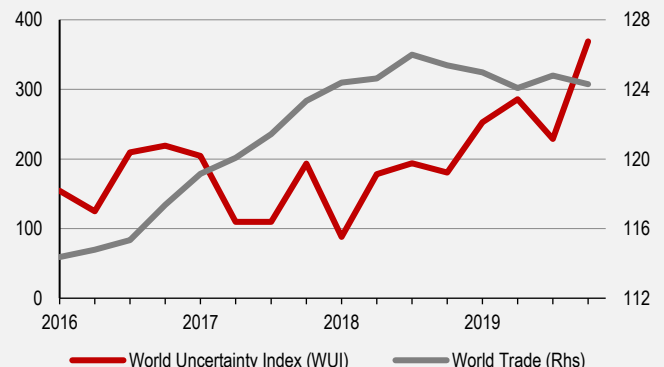
(base 2005=100 and % change)



Source: CPB and IHS

### 2. WORLD TRADE AND WORLD UNCERTAINTY INDEX

(base 2010=100)



Source: CPB; "Measuring economic policy uncertainty", S. Baker, N. Bloom and S. Davis, [www.PolicyUncertainty.com](http://www.PolicyUncertainty.com)

## THE INTERNATIONAL ENVIRONMENT

In the last part of 2019, in an international outlook characterized by generalized economic slowdown and high uncertainty, the euro area economy decelerated sharply. The substantial increase in the World Uncertainty Index<sup>1</sup> mainly related to trade tensions (Figure 2) seems to be associated to the decrease of merchandise trade in volume. The latter in the first eleven months of 2019 decreased with respect to the same period of the previous year (-0.5%, source: *Central Planning Bureau*)

In Q4, the GDP for the euro area decelerated (+0.1% q-o-q). In January, the qualitative indicators continue to point to modest growth in the euro area with marginal improvement. The €-coin index increased from 0.16 in December to 0.25 in January, benefiting mainly from the favourable trend in interest rates and the positive signals coming from the trend in household spending.

In the same month, the Economic Sentiment Indicator (ESI) recorded by the European Commission increased markedly in the euro area. The improvement resulted from marked increases in confidence in the industry and construction sectors.

## THE ECONOMIC SITUATION IN ITALY

In the fourth quarter of 2019 the seasonally and calendar adjusted, chained volume measure of Gross Domestic Product (GDP) decreased by 0.3% with respect to the previous quarter and remained unchanged with respect to the same quarter of previous year. The carry-over annual GDP rate of change for 2020 is equal to -0.2%.

In December 2019, in comparison with the previous month, employment decreased, inactivity rose and the number of unemployed slightly grew while the unemployment rate remained unchanged.

In December 2019, according to preliminary data, exports to non-EU countries increased by 5.2% and imports decreased by 5.9% compared with the same month of the previous year. In the year 2019 exports to non-EU countries increased by 3.8% and imports decreased by 1.8% compared with 2018.

According to preliminary estimates, in January 2020 the Italian consumer price index for the whole nation (NIC) increased by 0.2% on monthly basis and by 0.6% with respect to January 2019 (up from +0.5% in the previous month). The slight acceleration of the growth on annual basis of all items index was mainly due to the speed-up of prices of Non-regulated energy products, of Services related to transport and of processed food including alcohol. Both core inflation (excluding energy and unprocessed food) and inflation excluding energy were +0.8% (respectively from +0.6% and +0.7%).

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

## THE OUTLOOK

In January, the consumer confidence index went up. The improvement in confidence was spread across all the components. On the contrary, the business confidence climate worsened.

The leading indicator continued to be negative although on a decelerating path with respect to the previous months (Figure 1).

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### FOR TECHNICAL AND METHODOLOGICAL INFORMATION:

**Fabio Bacchini**  
tel. +39.06.46737264  
bacchini@istat.it

**Roberta De Santis**  
tel. +39.06.46737294  
rdesantis@istat.it

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<sup>1</sup> The *World Uncertainty Index* (WUI) measured by Ahir H., Bloom N. e Furceri D. is a quarterly index calculated for 143 countries starting from 1996. It uses the counts of the word "uncertainty" in the quarterly country reports of the *Economist Intelligence Unit* (EIU).