Monthly Report
On the Italian Economy
2
FEBRUARY 2020

Risks associated to international economy outlook remain tilted to the downside. The COVID-19 outbreak has increased the probability of a World GDP strong deceleration in the coming quarters.

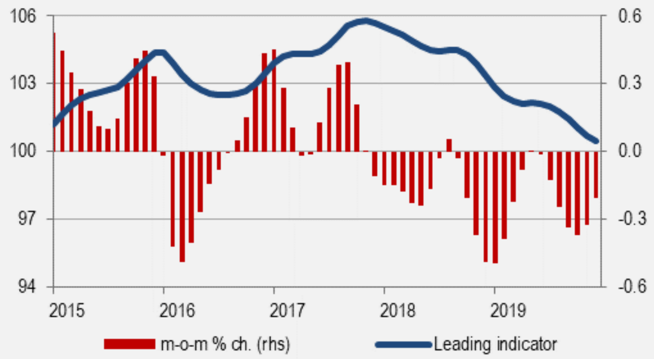
In Italy, in the fourth quarter of 2019, the seasonally and calendar adjusted, chained volume measure of Gross Domestic Product (GDP) decreased by 0.3% over the previous quarter.

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

According to preliminary estimates, in February the Italian consumer price index for the whole nation (NIC) decelerated further. Core inflation remained stable displaying a dynamics, which was half than that of the euro area.

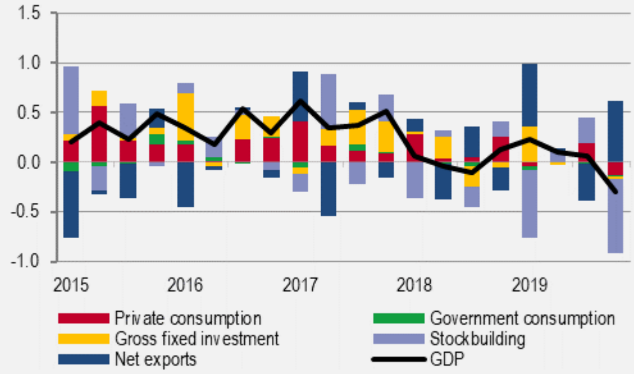
In February, the consumer confidence worsened and the decrease was diffused to all its components and particularly to the future one. Differently, the business confidence climate improved marginally. The leading indicator, which does not incorporate yet the effects of the Covid-19 epidemic, continues to decrease suggesting that the economic activity will remain weak in the coming months.

1. LEADING INDICATOR
(base 2005=100 and % change)



Source: CPB and IHS

2. CONTRIBUTION TO GDP GROWTH
(q-o-q and percentage points)



Source: Istat

THE INTERNATIONAL ENVIRONMENT

Risks associated to international economy outlook remain tilted to the downside. The Covid-19 outbreak has had already an adverse impact on confidence, financial markets, travel sector and supply chains.

The short run perspectives in the euro area, despite the spread of the news on the Covid-19 epidemic, according to February soft indicators improved. The €-coin rose from 0.25 in January to 0.28 thanks to the favourable trend in employment and in shares' prices that more than offsets the persistent weakness in the industrial cycle.

In the same month, the European Commission Economic Sentiment Indicator (ESI) increased for the euro area (by 0.9 points). The improvement resulted from higher confidence among consumers and, to a lesser extent, industry managers, while sentiment in services, retail trade and construction remained unchanged. Amongst the largest euro-area economies, the ESI saw marked improvements in France (+1.9) and Spain (+1.2) and a more moderate one in Germany (+0.6). Sentiment in Italy remained flat.

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% over the previous quarter and increased by 0.1% in comparison with Q4 2018. The inventories negative one offsets the net exports positive contribution to GDP. In addition, the domestic demand contributed negatively to growth (Figure 2). Compared to previous quarter, final consumption expenditure decreased by 0.2%, gross fixed capital formation by 0.1% and imports by 1.7%, whereas exports increased by 0.3%.

In 2019, on average exports increased by 2.3% in deceleration with respect to 2018 (+3.6%) while imports decreased substantially (-0.7 from +6.1% in 2018). In January, according to preliminary data, exports to non-EU countries increased by 5.4% and imports by 7.2% compared with the previous months.

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

According to preliminary estimates, in February 2020 the Italian consumer price index for the whole nation (NIC) was stable on monthly basis and increased by 0.4% with respect to February 2019 (from +0.5% in the previous month). Core inflation remained stable displaying a dynamics, which was half than that of the euro area.

THE OUTLOOK

In February, the consumer confidence worsened and the decrease was diffused to all its components and particularly to the future one. Differently the business confidence climate improved marginally.

The leading indicator, which does not incorporate yet the full effects of the Covid-19 epidemic, continues to decrease suggesting that the economic activity will remain weak in the coming months (Figure 1).

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