

The international outlook, due to the COVID-19 pandemic and its related containment measures, remains exceptionally negative.

In the first quarter, in Italy the seasonally and calendar adjusted, chained volume measure of GDP, in line with its main European partners, decreased by 4.7% with respect to the previous quarter. The carry-over for 2020 is -4.9%.

The lockdown in Italy and in its main trading partners affected negatively Italian trade with the exception of sanitary products imports.

Retail trade of non-food items dropped, while the e-commerce increased sharply.

According to preliminary estimates, in April the increase of Italian consumer price index for the whole nation (NIC) was 0.1% on monthly basis and zero with respect to April 2019. The inflationary gap in favour of Italy with euro area inflation reduced.

In April, the social mood index on Italian economy showed that the negative trend started in February is proceeding. Marginal signs of improvement emerged at the end of the month.

The April monthly report includes a focus on the economic impact of the lockdown on Italian foreign trade, providing an analysis on the preliminary impact of the World demand fall on Italian manufacturing sector.

### 1. WORLD TRADE AND PMI GLOBAL NEW EXPORT ORDERS

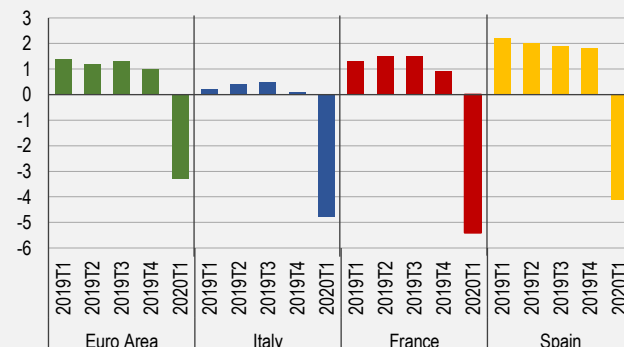
(base Jan 2016=100)



Source: CPB and IHS

### 2. GDP DYNAMICS IN ITALY AND MAIN UEM COUNTRIES

(% change on correspondent quarter)



Source: Eurostat and Istat

## THE INTERNATIONAL ENVIRONMENT

The international outlook, due to the COVID-19 pandemic and its related containment measures, remains exceptionally negative. The merchandise World trade in volume decreased by 1.5% in February 2020, having decreased by 1.4% in January (initial estimate -1.2%). The outlook worsens dramatically as suggested by the PMI Global new export orders of April (Figure 1). Despite the strong expansionary policies in favour of firms and households implemented in many countries, macroeconomic data for Q1 were very negative. According to a preliminary flash estimate, seasonally adjusted GDP decreased by 3.8% in the euro area during the first quarter of 2020, compared with the previous quarter.

In March, the COVID-19 containment measures widely introduced by Member States had a significant impact also on retail trade, as the seasonally adjusted volume of retail trade decreased by 11.2% in the euro area compared with February 2020. Moreover, the Spring 2020 Economic Forecast of the European Commission projects that the euro area economy will contract by a record 7.7% in 2020 and grow by 6.3% in 2021, with heterogeneous performances at country level.

The euro area leading indicators in April confirmed an exceptionally negative outlook. The €-coin index recorded a dramatic drop to -0.13 from 0.13 in March. The main factors were the contraction in activity in the euro area in Q1 and the collapse in the confidence of consumers and firms as a result of the spread of the pandemic.

In the same month, the Economic Sentiment Indicator (ESI) recorded by the European Commission (which this month does not include Italian data), continued to fell sharply in the euro area (-27.2 points). Compared to the other sectors, the crash was particularly marked in services and retail trade; the fall in construction confidence, although the strongest on record, was less marked than in the other sectors. Amongst the largest euro-area economies, the ESI crashed in Spain (-26.0), Germany (-19.9), and France (-16.3).

## THE ECONOMIC SITUATION IN ITALY

In the first quarter, in Italy the seasonally and calendar adjusted, chained volume measure of Gross domestic product, in line with its main European partners (Figure 2), decreased by 4.7% with respect to the previous quarter and by 4.8% over the same quarter of previous year. The carry-over for 2020 is -4.9%. In March, Retail trade of non-food items dropped while the e commerce increased sharply.

The lockdown in Italy and in its main trading partners affected negatively Italian trade, with the exception of sanitary products imports. Extra Eu trade continued to be influenced by the effects of COVID-19 pandemic. According to preliminary figures, in March exports to non-EU27 countries decreased by 12.7% and imports decreased by 19.8% compared with the same month of the previous year. In seasonally adjusted terms, exports decreased by 13.9% and imports decreased by 12.4% compared with February 2020. Over the last three months, seasonally adjusted data showed a 3.2% decrease in outgoing flows and a 4.1% decrease in incoming flows in comparison with the previous three months.

In March, analogously to the average euro area situation, in comparison with the previous month, employment slightly decreased and unemployment fell (8.4%, from 9.3% in February) together with a relevant increase of inactivity.

According to preliminary estimates, in April the increase of Italian consumer price index for the whole nation (NIC) was 0.1% on monthly basis and zero with respect to April 2019. The inflation deceleration was mainly due to the widening of the decrease of prices of regulated energy products (from -9.4% to -13.9%) and of non-regulated energy products (from -2.7% to -7.6%). These dynamics were partially offset by the speed-up of prices of food including alcohol. Overall, the inflationary gap in favour of Italy with euro area inflation reduced.

In April, the social mood index on Italian economy showed that the negative trend started in February is proceeding. Marginal signs of improvement emerged at the end of the month.

## Focus

### COVID-19 IMPACT ON FOREIGN TRADE

The impact of COVID-19 on Italian economy is deep and widespread as suggested by the preliminary Italian GDP estimate for the first quarter. The fall in GDP involved internal and external demand with particularly negative effects on exports. This focus presents preliminary analyses on the impact on Italian economy of World trade fall determined by the pandemic.

As for the manufacture sector, the containment measures, in the period 25 of March - 3 of May, affected mainly exporting firms, producing the 66.6% of the total Italian exports. Moreover, the 26.3% of Italian manufactures export are produced by foreign owned enterprises as emerged by 2017 figures. It is worth noticing that looking at extra-Ue figures for the first quarter of 2019 and 2020 the share is lower (about 20%).

Analyzing separately the exports of the foreign owned enterprises and those of national enterprises, heterogeneous trends emerged. In the first three months of this year, in comparison with Q1 2019, the fall of the exports was deeper in domestic firms than in foreign owned (respectively -1.8% and -0.5%, Figure 3).

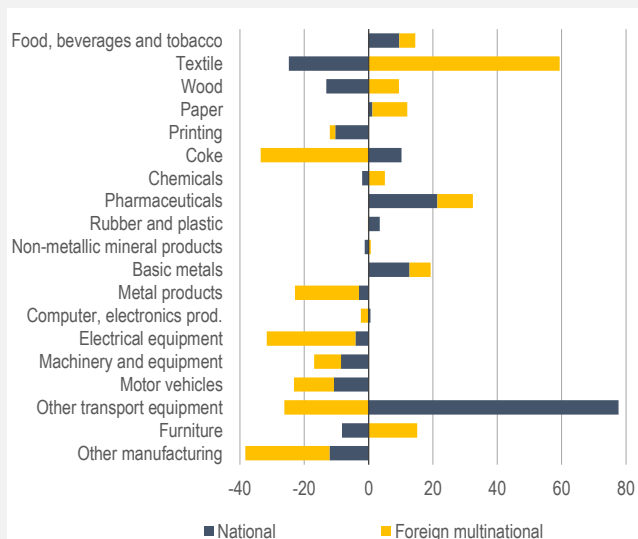
In the last month, the COVID-19 related lockdown of economic activities involved almost all the countries in the World. The tight trade relationships among countries accentuated the negative impact of the containment measures on the Italian economy. A preliminary quantification (on annual basis) of the impact of World demand for Italian products fall on Italian manufacturing sectors' value added has been carried out.

It emerges that the contraction of the economic activities across the countries would decrease the Italian manufacture sector value added by 3.4% on annual basis. The value added fall is determined for 0.5 p.p. by German economy contraction, 1.0 p.p. by the euro area economy (excluded Germany) contraction and 1.9 p.p. by the rest of the World external demand fall.

Looking at the sectors, the value added fall is heterogeneous (Figure 4). As expected, the more open sectors, which are those traditionally related to the Italian specialisation model, are mostly damaged: textile and clothing (-4.1%), electrical apparels (-4.0%), machinery (-3.8%), automotive (-3.7%). On the contrary, food and beverages would be hit less (-1.9%).

### 3. EXTRA UE EXPORT BY MANUFACTURING SECTOR AND OWNERSHIP

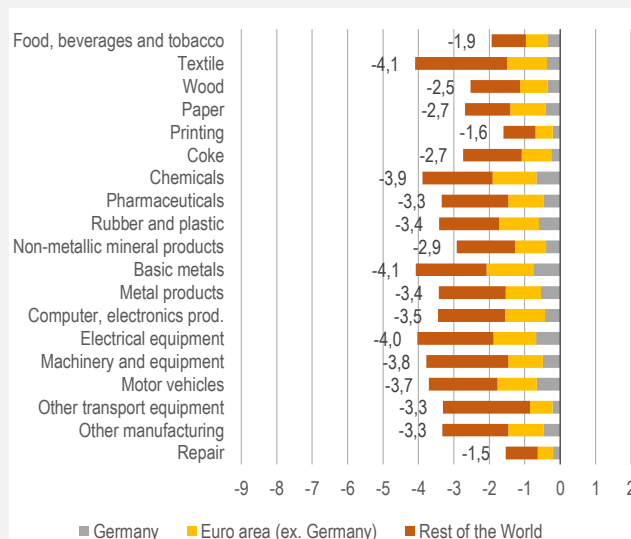
(1Q2019 - 1Q2020 % values)



Source: Istat

### 4. LOCKDOWN EFFECTS ON MANUFACTURING VALUE ADDED

(% changes compared to the baseline scenario)



Source: Istat

#### FOR TECHNICAL AND METHODOLOGICAL INFORMATION:

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

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