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In the third quarter, the Gross Domestic Product in Italy, analogously to those of its main European partners, recovered strongly.

In August, Italian exports continued to grow towards both EU countries and non EU countries. The export value however remained below its pre-Covid level.

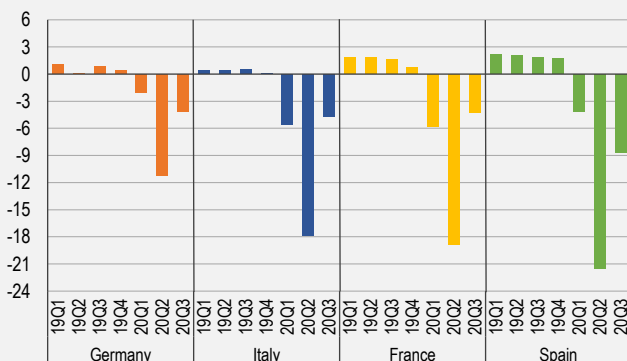
In the labour market, the recovery of production dynamics was accompanied by a progressive increase of hours worked.

In October, Italian inflation remained negative despite the increase in the most volatile components of the index.

The recovery, which had started in May, is reflected in the high frequency indicators some of which approached their pre-Covid levels. The outlook is uncertain and in October the surveys provided mixed signals. The consumer confidence worsened while the business one continued to improve.

1. GDP DYNAMICS IN ITALY AND MAIN UEM COUNTRIES

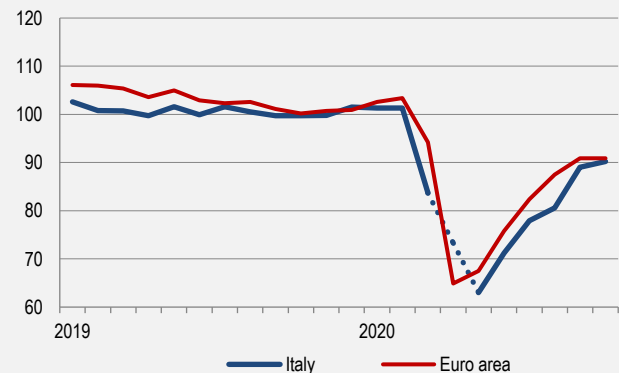
(% change on correspondent quarter)



Source: Istat and Eurostat

2. ECONOMIC SENTIMENT INDICATOR

(base 2010=100; seasonally adjusted)



Source: DG ECFIN

THE INTERNATIONAL ENVIRONMENT

In the past months, the international framework has been characterised by a strong recovery of production and trade. The recent increase of contagions in many countries, however, might worsen the global outlook at least in the short term. The merchandise World trade in real terms in August increased by 2.5% m-o-m (source: Central planning bureau) in deceleration with respect to July (5,0%). Overall, the international exchanges of goods are still below the pre-Covid levels. The PMI Global new business orders in October, although still above the expansionary threshold, showed a decrease suggesting a worsening of the World demand outlook.

The USA real gross domestic product (GDP) in Q3 increased by 7.4% with respect to the previous quarter according to the "advance" estimate. In the same period, the GDP recovered strongly also in the euro area (12.7% q-o-q). At national level, German GDP increased by 8.2% q-o-q, the French one by 18.2% while in Spain the GDP increased by 16.7% (Figure 1).

In October, the soft indicators for the euro area provided signals of stabilisation. The recovery of the Economic Sentiment Indicator (ESI), which had started in May, came to a halt (Figure 2). The ESI's stagnation reflected weaker confidence in services and, more so, among consumers, which was counterbalanced by a continued recovery of industry, retail trade and construction confidence. Amongst the largest euro-area economies, the ESI improved in Germany (+1.5) and Italy (+1.2), while it registered significant losses in France (-4.5). Sentiment in Spain stayed virtually unchanged (-0.2).

The European Commission Autumn 2020 Economic Forecast projects that the euro area economy will contract by 7.8% in 2020 before growing 4.2% in 2021.

THE ECONOMIC SITUATION IN ITALY

In the third quarter, the Gross Domestic Product increased by 16.1% with respect to the previous quarter, whereas it decreased by 4.7% over the same quarter of 2019. The quarter on quarter change is the result of a generalised increase of value added. From the demand side, there are positive contributions by the domestic component (gross of change in inventories) and by the net export component.

As for external trade, in August, seasonally-adjusted data, compared to July, rose by +3.3% for outgoing flows and by +5.1% for incoming flows. Exports grew for both EU countries (+5.3%) and non EU countries (+1.2%). Imports increased by +5.2% for EU countries and by +4.9% for non EU countries.

Over the last three months, seasonally-adjusted data, compared to the previous three months, increased for both exports (+26.2%) and imports (+18.7%). In September, in seasonally adjusted terms, exports to non-EU27 countries increased by 8.3% and imports decreased by 2.7% compared with August.

In September, employment remained unchanged, while unemployment continued the decrease already began in August and inactivity kept on dropping. In the period July-September, with respect to the previous quarter, employment grew (+0.5%, +113 thousand).

According to preliminary estimates, in October the rate of change of the Italian consumer price index for the whole nation (NIC) was +0.2% on monthly basis and -0.3% on annual basis (from -0.6% in September). The halving of the decrease of consumer price indices was mainly due to the speed-up of the growth of the prices of unprocessed food and to the reduction of the drop of those of regulated energy products.

The recovery which had started in May is reflected in the high frequency indicators. The latest data showed that industrial production and retail trade in volume substantially reached their pre-Covid levels, while confidence, exports and employment remain still below their pre-crisis levels.

In October, the surveys provided mixed signals. The consumer confidence declined with a deterioration mainly distinguished in the economic and the future indices. The business confidence climate index, instead, displayed a further improvement.

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