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Global economic perspectives, despite remaining characterised by high uncertainty, are gradually improving also because of vaccine campaigns start in many countries.

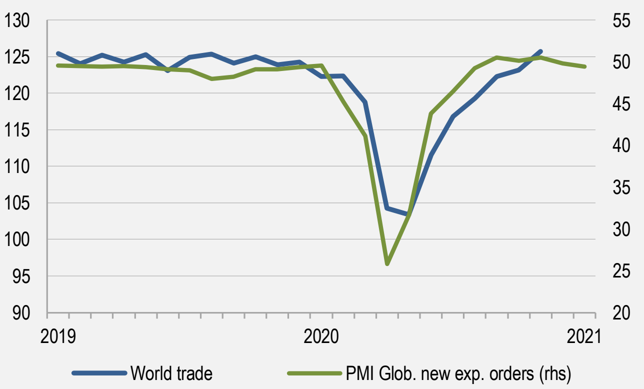
In the fourth quarter of 2020, the Italian Gross Domestic Product decreased by 2% with respect to the previous quarter and by 6.6% over the same quarter of previous year.

In the labour market, in December 2020 the number of employed persons returned to decline, whereas an increase was recorded for both inactive and unemployed people.

In January, the mitigation of energy deflationary trend and the mild recovery of service inflation reversed the dynamic of consumer price in positive territory.

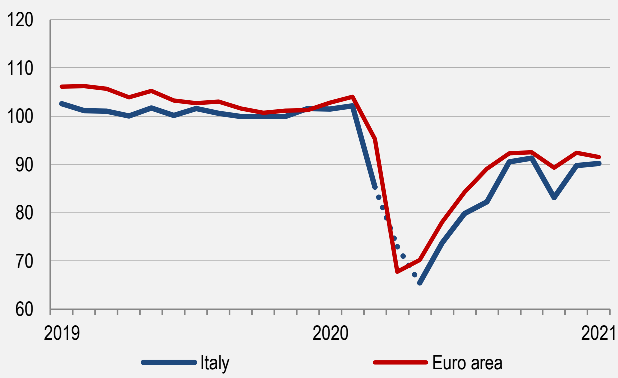
Latest data on confidence showed a stabilisation. In January, consumer confidence worsening was accompanied by a moderate improvement in business climate.

1. MERCHANDISE WORLD TRADE IN VOLUME AND PMI GLOBAL NEW EXPORT ORDERS



Source: CPB e IHS

2. ECONOMIC SENTIMENT INDICATOR (a)
(base 2010=100; seasonally adjusted)



Source: DG ECFIN
(a) In April the survey for Italy was not observed

THE INTERNATIONAL ENVIRONMENT

Global economic perspectives, despite remaining characterised by high uncertainty, are gradually improving also because of vaccine campaigns start in many countries.

IMF forecasts revised upwards World GDP for 2020 and 2021: after a fall of 3.5% the economy will rebound by 5.5% this year. The World merchandise trade in volume increased 2.1% in November 2020 compared to the previous month (0.7% in October), reaching overall pre-COVID levels. However, the PMI Global new export orders of December and January, are decreasing signalling a pause in the growth in the next months (Figure 1).

In the fourth quarter 2020, seasonally adjusted GDP decreased by 0.7% in the euro area. The decline follows the strong rebound in the third quarter. At national level, the GDP improved in Germany and Spain (0.1% and 0.4% respectively) and worsened in Italy and France (-2.0% and -1.3% respectively).

As for monthly data, in December 2020, the seasonally adjusted volume of retail trade for the area rose by 2.0% and unemployment rate was 8.3% unchanged with respect to November.

The perspectives for the euro area are mixed. In January, the Economic Sentiment Indicator (ESI) edged down (-0.9 p.p., Figure 2). The decrease was driven by sliding confidence in retail trade and smaller losses in services and consumer confidence. Confidence in industry improved, while it remained broadly unchanged in construction.

Amongst the largest euro-area economies, the ESI dropped in France (-2.6) and Germany (-2.3), while it improved in Spain (+2.4), and Italy (+0.4).

THE ECONOMIC SITUATION IN ITALY

In the fourth quarter of 2020 the Gross Domestic Product fell by 2% with respect to the previous quarter and by 6.6% in annual term. The result confirmed falls in the value added in all main economic sectors.

Latest monthly data return mixed signals. In December industrial production decreased marginally (-0,2%, m/m) while retail trade increased (+2.5%) both in value and volume terms. In 2020, value of sales dropped by 5.4% and volume fell by 6.2%.

In the labour market, in December the number of employed persons returned to decline, whereas an increase was recorded for both inactive and unemployed people. The unemployment rate rose to 9.0%.

In January 2021 the rate of change of the Italian consumer price index (harmonized) was +0.5% less the one related to the Eurozone (+0.9%). The trend reversal was mainly due to the lower decreases of prices of Energy either of Regulated energy products and of Non-regulated energy products and, to a lower extent, to prices of Services related to transport.

In January, the consumer confidence slackened slightly. With regard to its components, the economic climate remained virtually stable, the personal climate and the future one slightly shrunk, while the current one bettered. As for the business confidence climate, the index confirmed its positive trend.

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