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The Italian economy has been remaining on a recovery path. In the second quarter, GDP increased by 2.7% with respect to the previous quarter, showing a better performance than the other main European countries. The GDP carry-over for 2021 is now 4.8%.

In June, the number of employed persons increased, while a decline was recorded for both unemployed and inactive people.

In July, the rate of change of the Italian consumer price index for the whole nation (NIC) was 1.8% on annual basis. The negative inflation differential with the euro area, increased.

The business and consumer confidence in July continued to rise reaching a new maximum.

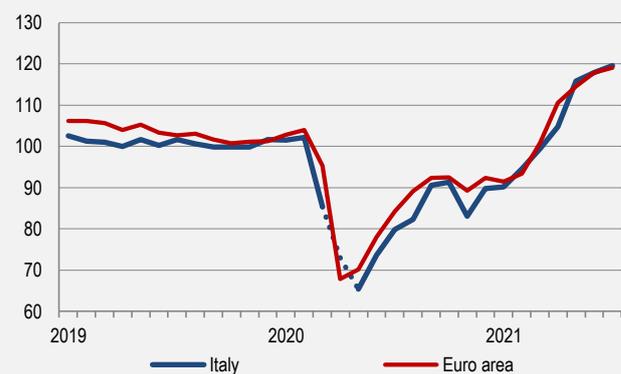
1. MERCHANDISE WORLD TRADE IN VOLUME AND PMI GLOBAL COMPOSITE NEW EXPORT BUSINESS



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

The international economic recovery has continued although unevenly distributed across advanced and emerging countries. The resurgence of contagions has increased the uncertainty on the economic outlook. In May, World merchandise trade in volume was 0.3% lower compared with April especially due to trade flow contraction in emerging Asia and China. The PMI Global composite new business orders index of July was above the expansion threshold for the sixth month in a row, suggesting that World trade recovery will continue over the coming months although at a decreasing pace (Figure 1).

In the second quarter, seasonally adjusted GDP increased by 2.0% in the euro area (-0.3% in Q1), compared with the previous quarter, according to a preliminary flash estimate. The perspectives for euro area remain positively oriented. In June, the seasonally adjusted volume of retail trade rose by 1.5%, the unemployment rate was 7.7%, down from 8.0% and in July and the Economic Sentiment Indicator (ESI) increased for the sixth time in a row in the euro area (+1.1 points) (Figure 2).

The current survey level is the highest on record. The increase was driven by improving confidence in industry and services, while confidence weakened in construction and among consumers and remained virtually unchanged in retail trade. Amongst the largest EU economies, the ESI rose sharply in France, to a lesser extent, in Italy and Spain and stayed virtually unchanged in Germany.

THE ECONOMIC SITUATION IN ITALY

The Italian economy has been remaining on a recovery path. In the second quarter GDP increased by 2.7% with respect to the previous quarter showing a better performance than the other main European countries. The GDP carry-over for 2021 is now 4.8%. In June, the industrial production increased by 1% with respect to the previous month with increases diffuses to all index components.

As for foreign trade, in May seasonally-adjusted data, compared to April, decreased by -2.0% for outgoing flows and by -0.3% for incoming flows. Exports dropped for non EU countries (-4.0%) while remain stationary for EU countries. Imports increased by +0.6% for EU countries and decreased by -1.5% for EU countries. As for preliminary data on foreign trade with non-EU countries, in June 2021, in seasonally adjusted terms, exports increased by 0.1% and imports by 1.2% compared with May 2021

In June, estimates for seasonally adjusted index of retail trade slightly increased in the month on month by 0.6% in volume terms and the number of employed persons increased, while a decline was recorded for both unemployed and inactive people. On a monthly basis the employment rate went up to 57.9% (+0.5 p.p.) while the unemployment rate declined to 9.7% (-0.5 p.p.).

According to preliminary estimates, in July the rate of change of the Italian consumer price index for the whole nation (NIC) was +0.3% on monthly basis and +1.8% on annual basis (from +1.3% in June). The speed-up of the growth on annual basis was mainly due to the prices of regulated energy products (+29.0%) and the non-regulated ones slowed down (+11.2%).

Core inflation (excluding energy and unprocessed food) was +0.6%. According to preliminary estimates, in July, the rate of change of the Italian harmonized index of consumer prices (HICP) was +0.9% on annual basis. The negative inflation differential with the euro area inflation, increased by 1.3 points.

In July, the business and consumer confidence indexes bettered further. Confidence in manufacturing firms has sharp even compared to the performance of production.

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