

The relaxing of financial conditions and still high inflation provided incentive to main central banks to continue the process of interest rates increases although at a more moderate pace

In the first quarter of 2023 the seasonally and calendar adjusted chained volume measure of Italian Gross Domestic Product (GDP) increased more than in the average of the euro area. There was a positive contribution by both the domestic component and the net export component.

On the supply side, in March industrial production index, decreased by 0.6% with respect to February. The fall was diffused to all components but capital goods. In the first quarter the index substantially stabilised.

In March, the number of employed people grew, while unemployed decreased and inactive persons remained stable.

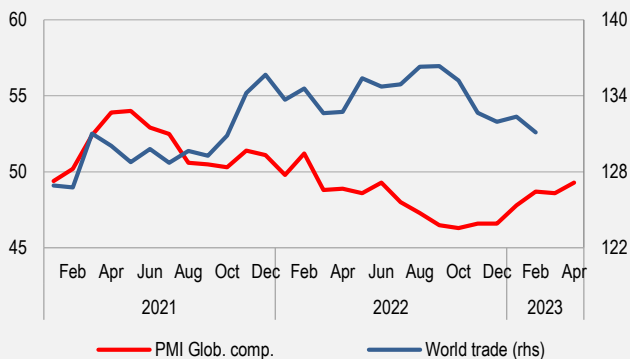
In April, according to preliminary estimates, the Italian harmonised index of consumer prices (HICP) increased further and the positive differential with the euro area, widened mainly due to the energy component. As for the core inflation the difference remained negative.

Perspective for Italian economy remained favourable. In April, the consumer confidence improved further driven by positive evaluation on the general economic and current situations. Also business confidence bettered although with some heterogeneity among the index components.

### 1. MERCHANDISE WORLD TRADE IN VOLUME AND PMI

#### GLOBAL COMPOSITE NEW EXPORT BUSINESS

(index base 2010=100; >50 = growth)



Source: CPB and IHS

### 2. ECONOMIC SENTIMENT INDICATOR

(index base 2010=100; seasonally adjusted)



Source: European Commission

## THE INTERNATIONAL ENVIRONMENT

The relaxing of financial conditions on international markets and still high inflation provided incentive to main central banks to continue the process of interest rates increases although at a more moderate pace. World merchandise trade volume in February decreased by 0.9% (+0.3% the previous month). Most noteworthy there was a general decline in imports in advanced economies. The perspectives for global demand are worsening. In April, the PMI Global composite new export business increased although remaining (since February 2022) below the expansion threshold (Figure 1).

In the euro area, in the first quarter, seasonally adjusted GDP increased by 0.1% (0.0% at the end of 2022) compared with the previous quarter, according to a preliminary flash estimate. In March, the seasonally adjusted volume of retail trade decreased by 1.2% compared with February and the unemployment rate decreased marginally at 6.5%. Euro area annual inflation is expected to be 7.0% in April (+6.9% in March). Looking at the main components, food, alcohol & tobacco is expected to have the highest annual rate, followed by non-energy industrial goods, services and energy.

The outlook for the euro area stabilised in April. The Economic Sentiment Indicator (ESI) stayed broadly unchanged compared to March (+0.1 points, Figure 2). The flat reading mainly resulted from a combination of markedly higher confidence among consumers and significantly lower confidence among industry managers. While confidence in services and retail trade also edged up, construction confidence remained broadly unchanged. At national level, the ESI improved in Spain (+3.7 points) and, to a lesser extent, in Germany (+0.8) and in Italy (+0.3). The ESI deteriorated in France (-4.2).

## THE ECONOMIC SITUATION IN ITALY

In the first quarter of 2023 the seasonally and calendar adjusted chained volume measure of Italian Gross Domestic Product (GDP) increased by 0.5% with respect to the previous quarter (+1.8% over the same quarter of previous year). The quarter on quarter change was the result of stationarity of value added in agriculture, forestry and fishing, whereas both industry and services recorded a positive growth. From the demand side, there was a positive contribution by both the domestic component (gross of change in inventories) and the net export component.

On the supply side, in March industrial production index, decreased by 0.6% with respect to February. The fall was diffused to all components but capital goods. In the first quarter the index substantially stabilised (-0,1%). As for external trade, in February seasonally-adjusted data, compared to January, increased by 0.4% for exports and decreased by 1.4% for imports. Exports towards Eu countries decreased by 0.8% and rose by 1.7% for non-Eu countries. Imports decreased both for Eu countries (-1.2%) and for non-Eu countries (-1.6%). Regarding non-EU-countries, in March, in seasonally adjusted terms, exports decreased by 4.6% and imports decreased by 12.9% compared with February.

In March, the number of employed people grew, while unemployed decreased and inactive persons remained stable. The unemployment rate dropped to 7.8% (-0.1 p.p.) In the same month, estimates for seasonally adjusted index of volume sales dropped by 0.3% in the month on month series confirming that high inflation has been undermining private consumption. According to preliminary estimates, in April the rate of change of the Italian consumer price index for the whole nation (NIC) was 8.3% on annual basis (from +7.6% in March). The speed-up of the growth on annual basis of All-item index was mainly due to the prices of Non-regulated energy products and, to a lesser extent, it is also due to prices of Services related to recreation, including repair and personal care and of Services – miscellaneous. Quite the opposite, the annual rate of change of the prices of Regulated energy products showed a wider decline than in March, as well as the prices of Processed food including alcohol, of Unprocessed food, of Services related to housing and Services related to transport. In April, according to preliminary estimates, the Italian harmonised index of consumer prices (HICP) increased by 8.8% on annual basis (from +8.1%). The differential with the euro area, widened.

Perspective for Italian economy remained mildly positive. In April for the third time in a row the consumer confidence improved driven by positive evaluation on the general economic and current situations. Also business confidence bettered although with some heterogeneity among the various index components.

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