

International environment is characterised by decelerating inflation although the core component of the price index is still high in many countries. Main central banks continued to raise interest rates accentuating industrial production deceleration and global trade fall.

On the supply side, in May Italian industrial production index, increased by 1.6% with respect to April after four months of decreases. In the period March-May, however, on average the index decreased by 1.8% with respect to the previous three months.

In the first quarter, gross disposable income increased by 3.1% with respect to the previous period thanks to the strong inflation deceleration. Saving rate increased in comparison to the previous three months.

Labour market conditions remain favourable. In May, the number of employed people rose, while unemployed persons decreased and inactive ones were substantially stable.

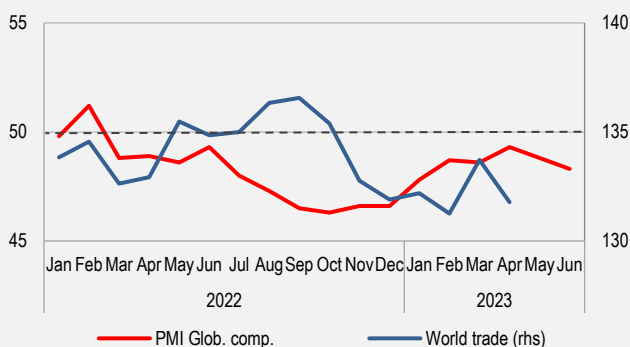
In June, according to preliminary estimates, the HICP decreased further and the differential with the euro area, although still positive, narrowed.

Surveys present heterogeneous signals. In June, the consumer confidence index rose with a positive trend diffused to all its components while the business confidence climate weakened.

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

#### GLOBAL COMPOSITE NEW EXPORT BUSINESS

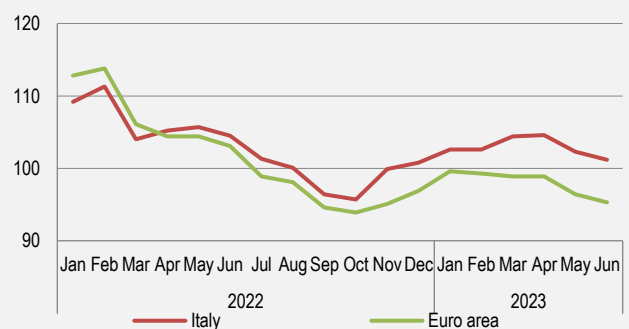
(index base 2010=100; >50 = growth)



Source: CPB and IHS

### 2. ECONOMIC SENTIMENT INDICATOR

(index base 2010=100; seasonally adjusted)



Source: European Commission

## THE INTERNATIONAL ENVIRONMENT

International environment is characterised by slowing inflation although the core component of the price index is still high in many countries. Main central banks continued to raise the interest rates accentuating industrial production deceleration and global trade fall.

World merchandise trade decreased by 1.4% in April compared to the previous month (+1.9% in March). Emerging economies show predominantly declining trade figures. In June, the PMI Global composite new export business has remained (since February 2022) below the expansion threshold suggesting a negative trend for the coming months (Figure 1).

In the Euro area, in May, the seasonally adjusted volume of retail trade and the unemployment rate stabilised (6.5%). Annual inflation in June is expected to decelerate further at 5.5% (+6.1% in May) according to a flash estimate. 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.

In the same month, perspective worsened for the euro area. The Economic Sentiment Indicator (ESI) declined for the second month in row (-1.1 points) due to lower confidence in industry, construction, services and, to a lesser extent, retail trade (Figure 2). By contrast, consumer confidence continued its recovery from the trough of September last year. At national level, the ESI deteriorated in Germany (-1.9), Italy (-1.1) and Spain (-0.9), while it improved in France (+0.8).

## THE ECONOMIC SITUATION IN ITALY

On the supply side, in May industrial production index, increased by 1.6% with respect to April after four months of decreases. In the period March- May, however, on average the index decreased by 1.8% with respect to the previous three months. The construction sector is showing signals of weakening. As to the external trade, Italian exports in the period January-April increased by 5.9% with respect to the same period of the previous year while imports decreased by 3.2%. In the first four months of this year, trade balance of goods on average had a surplus of 5,8 billion of euros (in the same period of 2022 there was a deficit of -12,4 billion euros). In May, exports to non-EU27 countries increased by 4.1% and imports decreased by 13.8% on annual basis.

In the first quarter, gross disposable income of consumer households increased with respect to the fourth quarter of 2022 by 3.2% in nominal terms and by 3.1% in real terms. The saving rate was 7.6%, with households' consumption expenditure growth by 0.6% in nominal terms. Labour market conditions remain favourable. In May, the number of employed people rose, while unemployed persons decreased and inactive ones were substantially stable. The unemployment rate declined to 7.6% (-0.1 p.p.). In the same month, estimates for seasonally adjusted index of volume sales increased by 0.2%. According to preliminary estimates, in June the rate of change of the Italian consumer price index for the whole nation (NIC) was null compared with the previous month and 6.4% on annual basis (from +7.6% in May). The deceleration of annual inflation rate was mainly due to the prices of Non-regulated energy products (from +20.3% to +8.4%) and, to a lesser extent, of Processed food including alcohol (from +13.2% to +11.9%), of Services related to transport (from +5.6% to +3.8%), of Non energy industrial goods (from +5.0% to +4.8%) and of Services related to recreation, including repair and personal care (from +6.7% to +6.5%). An upward contribution to the inflation rate came from the prices of Unprocessed food (from +8.8% to +9.6%).

In June, according to preliminary estimates, the Italian harmonised index of consumer prices (HICP) increased by 6.7% on annual basis (from +8.0% in the previous month). The differential with the euro area, although still positive (1.2 p.p.), diminished.

## THE OUTLOOK

Surveys present heterogeneous signals. In June, the consumer confidence index rose with a positive trend diffused to all its components while the business confidence climate weakened.

---

### FOR TECHNICAL AND METHODOLOGICAL INFORMATION:

**Roberta De Santis**

rdesantis@istat.it

---