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On the supply side, in Italy, negative signals are coming from the manufacturing sector. In July, the industrial production index, decreased by 0.7% with respect to June after two months of increases in a row.

For the first time in 2023, labour market conditions worsened. In July the number of employed people fell, though remaining higher than July 2022 levels, while unemployed and inactive persons increased.

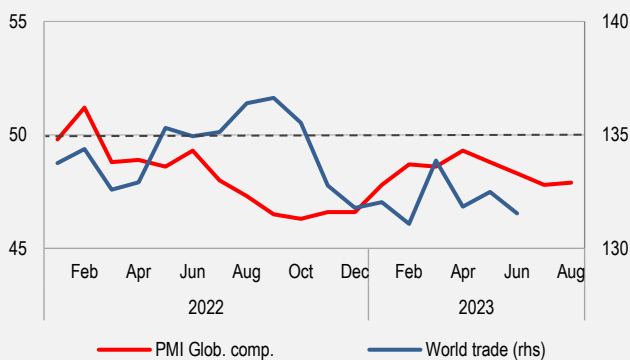
In July, according to preliminary estimates, the Italian harmonised index of consumer prices (HICP) continued to decelerate on annual basis. The differential with the euro area, even if still positive, diminished substantially.

Surveys results in August show a generalised worsening of business and consumer confidence. The business climate index fell to its lowest value since November 2022 while consumer confidence is still higher than the average for the period January-July.

1. MERCHANDISE WORLD TRADE IN VOLUME AND PMI

GLOBAL COMPOSITE NEW EXPORT BUSINESS

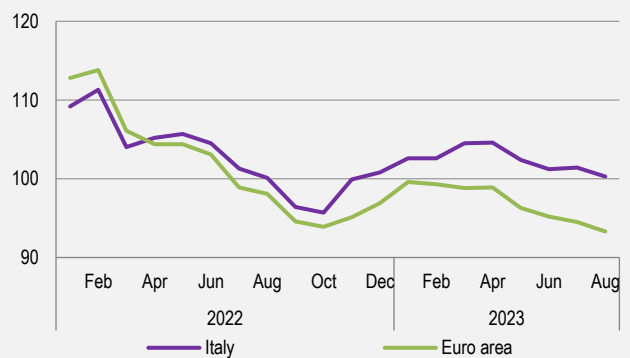
(index base 2010=100; >50 = growth)



Source: CPB and IHS

2. ECONOMIC SENTIMENT INDICATOR

(index base 2010=100; seasonally adjusted)



Source: European Commission

THE INTERNATIONAL ENVIRONMENT

International economy is decelerating characterized by heterogeneous performances across sectors and countries, decreasing although still high inflation and tight financial conditions which affect negatively especially domestic demand.

World Merchandise trade decreased in volume by 0.7% in June compared to the previous month, following an increase of 0.5% in May. Most noteworthy is the decrease of imports of the euro area, the United Kingdom and emerging Asian countries excluding China. Moreover, in August, the PMI Global composite new export business has remained once again below the expansion threshold, suggesting a negative trend for Global trade in the coming months (Figure 1).

In the second quarter, euro area seasonally adjusted GDP was revised down to 0.1% (from 0.3%) while the first quarter was revised upward to 0.1% from 0.0%. In July, the seasonally-adjusted unemployment rate was 6.4%, stable compared with the previous two months and the seasonally adjusted volume of retail trade decreased by 0.2%.

Perspective worsened further for the euro area. The Economic Sentiment Indicator (ESI) in August, continued to decline (-1.2 points, Figure 2) due to lower confidence diffused to all the components of the index. At national level, the ESI deteriorated in France (-2.5), Germany (-2.4) and Italy (-1.1), while it improved in Spain (+1.5).

THE ECONOMIC SITUATION IN ITALY

In the second quarter, the seasonally and calendar adjusted, chained volume measure of Gross Domestic Product (GDP) in Italy decreased by 0.4% to the previous quarter. The carry-over annual GDP growth for 2023 is now equal to 0.7%. On the supply side, negative signals are coming from the manufacturing sector. In July, the industrial production index, decreased by 0.7% with respect to June, after two months of increases in a row. On average, in the period May-July the index increased by 0.2% with respect to the previous three months.

As to the external trade, in June seasonally-adjusted data, compared to May, increased by 0.4% for exports and decreased by 3.3% for imports. Exports increased by 0.5% to EU countries and by 0.3% to non-EU countries. Imports increased from EU countries (+4.9%) and dropped from non-EU countries (-14.5%). With respect to the same period of 2022, in the first half of the year export increased by 4,1%,

For the first time in 2023, labour market conditions worsened. In July the number of employed people fell, remaining higher than July 2022 levels, while unemployed and inactive persons increased. In the same month, the unemployment rate increased to 7.6%. and estimates for seasonally adjusted index of value sales grew by 0.4% in the month on month series and volume dropped by 0.2%

According to preliminary estimates, in August the rate of change of the Italian consumer price index for the whole nation (NIC) was +0.4% on monthly basis and +5.5% on annual basis (from +5.9% in July). The slowdown of the annual inflation rate was due to the prices of Non-regulated energy products, of Services related to recreation, including repair and personal care, of Unprocessed food, of Services related to transport, of Durable goods and, to a lesser extent, of Processed food including alcohol (from +10.5% to +10.1%). At the opposite, an upward contribution to the inflation rate came from the prices of Services related to housing and of Regulated energy products.

In August, according to preliminary estimates, the Italian harmonised index of consumer prices (HICP) increased by 5.5% on annual basis (down from +6.3% in the previous month).

The differential with the euro area, although still positive, diminished substantially (0.2 p.p from 1,1 p.p.).

THE OUTLOOK

Surveys results in August show a generalised worsening of business and consumer confidence. The business climate index fell to its lowest value since November 2022, while consumer confidence is still higher than the average for the period January- July.

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