

Different cyclical positions of main countries and uncertainty on inflation's future evolution characterise the Global environment. The decisions of main Central Banks will be likely affected by commodities increasing prices.

According to the quarterly national account revision, in the second quarter, the Italian GDP decreased by 0.4% on the previous quarter and increased by 0.3% in comparison with the second quarter of 2022. The carry-over growth for 2023 is 0.7%.

On the supply side, in August industrial production index increased by 0.2% with respect to July. In the period June-August, on average the index increased by 0.4% with respect to the previous three months.

In the second quarter, Gross disposable income of consumer households remained substantially unchanged over the previous quarter, while their final consumption expenditure grew by 0.2%. Households' saving rate decreased remaining at an historically low value.

Labour market conditions continue to be favourable. In August, the number of employed people grew, while unemployed fell and inactive persons remained substantially stable. The unemployment rate fell to 7.3%.

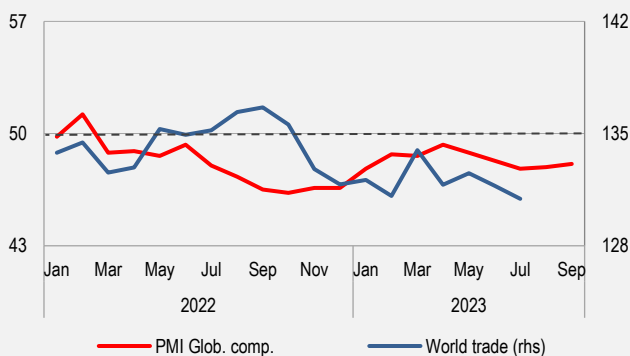
In September, according to preliminary estimates, the Italian harmonised index of consumer prices (HICP) increased by 5.7% on annual basis (up from +5.5% in the previous month). The positive differential with the euro area increased substantially.

Households and business surveys results in September suggest that the current weak phase of Italian economy might continue in the coming months.

1. MERCHANDISE WORLD TRADE IN VOLUME AND PMI

GLOBAL COMPOSITE NEW EXPORT BUSINESS

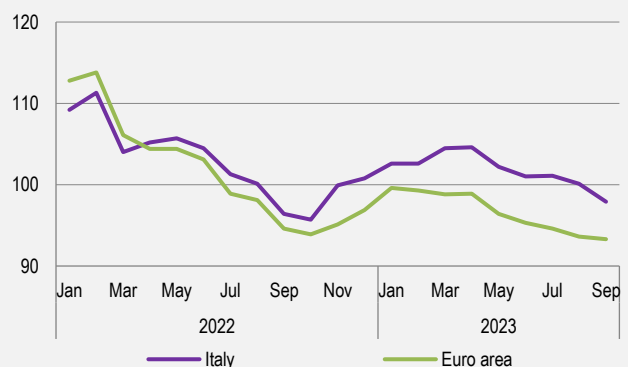
(index base 2010=100; >50 = growth)



Source: CPB and IHS

2. ECONOMIC SENTIMENT INDICATOR

(index base 2010=100; seasonally adjusted)



Source: European Commission

THE INTERNATIONAL ENVIRONMENT

Different cyclical position of main countries and uncertainty on inflation's future evolution characterise the international environment. The decision of Central Banks will be likely affected by the increase of commodities prices accentuated by the very recent geo-political tensions in the Middle-East.

World Merchandise trade in volume decreased by 0.6% in July compared to the previous month (-0.6% also in June). This decrease was to a large extent driven by the reduction in trade of China. In September, the PMI Global composite new export business increased marginally but remained below the expansion threshold suggesting a negative trend for the coming months (Figure 1).

In the second quarter, seasonally adjusted GDP increased by 0.1% in the euro area with respect to the previous quarter. In August, the seasonally adjusted volume of retail trade decreased by 1.2% and seasonally-adjusted unemployment rate was 6.4%, down from 6.5% in July. Euro area annual inflation is expected to be 4.3% in September, down from 5.2% in August according to a flash estimate. Looking at the main components food, alcohol & tobacco is expected to have the highest annual rate, followed by services, non-energy industrial goods and energy.

Perspective continued to worsen for the euro area. The Economic Sentiment Indicator (ESI) in September, dipped slightly again (-0.3 points). The mild decrease of the index was mostly driven by markedly lower consumer confidence. While confidence among builders and, to a lesser extent, retailers also slipped, it remained broadly stable in services and industry. At national level, the ESI deteriorated in Spain (-3.2) and Italy (-2.2), while it improved in France (+2.7) and in Germany (+0.3).

THE ECONOMIC SITUATION IN ITALY

According to the quarterly national account revision, in the second quarter, the seasonally and calendar adjusted, chained volume measure of Italian Gross Domestic Product (GDP) decreased by 0.4% to the previous quarter and increased by 0.3% in comparison with the second quarter of 2022. The carry-over growth for 2023 is 0.7%. On the supply side, in August industrial production index, increased by 0.2% with respect to July. In the period June- August, on average, the index increased by 0.4% with respect to the previous three months.

As for the external trade, in July seasonally-adjusted data, compared to June, decreased both for exports (-1.8%) and for imports (-4.7%). Exports decreased by -1.5% for EU countries and by -2.2% for non-EU countries. Imports dropped by -6.3% for EU countries and by -2.5% for non-EU countries. Over the last three months, seasonally-adjusted data, compared to the previous three months, dropped both for exports (-2.5%) and for imports (-4.1%). In August, exports to non-EU27 countries increased by 8.8% and imports dropped by 32.7% compared with the same month of the previous year.

Labour market conditions remain favourable. In August the number of employed people grew, while unemployed fell and inactive persons remained substantially stable. Overall, the employment rate rose to 61.5% (+0.1 p.p.) and the unemployment rate fell to 7.3% (-0.2 p.p.). In the same month, estimates for seasonally adjusted index of volume sales dropped by 0.5%.

According to preliminary estimates, in September the rate of change of the Italian consumer price index for the whole nation (NIC) was 0.2% on monthly basis and 5.3% on annual basis (from +5.4% in August). The slowdown of the annual inflation rate was due to the prices of Unprocessed food, of Processed food including alcohol, of Durable goods and, to a lesser extent, of Non-durable goods, of Semi-durable goods and of Services related to housing. At the opposite, an upward contribution to the inflation rate came from the prices of Non-regulated energy products, of Regulated energy products and of Services related to transport. In the same month, according to preliminary estimates, the Italian harmonised index of consumer prices (HICP) increased by 5.7% on annual basis (up from +5.5% in the previous month). The positive differential with the euro area increased substantially.

THE OUTLOOK

Households and business surveys results in September suggest that the current weak phase of Italian economy might continue in the coming months. The consumer confidence index declined with a fall diffused to all components but the personal climate. Also the business confidence climate confirmed its decrease.

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