

Recent data confirm that the deceleration of the World economy has spilled over into Q4 2018, particularly in the industrial sector, which has experienced a broad-based loss of momentum coinciding with a further slowing in global trade growth.

In Q4, Italian GDP decreased with respect to the previous quarter for the second time in a row conditioned by the negative performance of domestic demand.

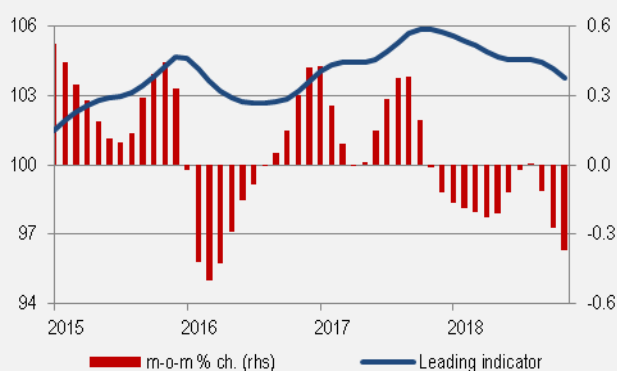
In the labour market, employment stabilized and the unemployment rate decreased only marginally.

Prices decelerated due to the fall in the energy components and the inflation differential with respect to the euro area widened.

In January 2019, the consumer confidence improved while the composite business climate indicator decreased further. The leading indicator experienced a sharp fall suggesting a worsening of the Italian cyclical position in the coming months.

1. LEADING INDICATOR

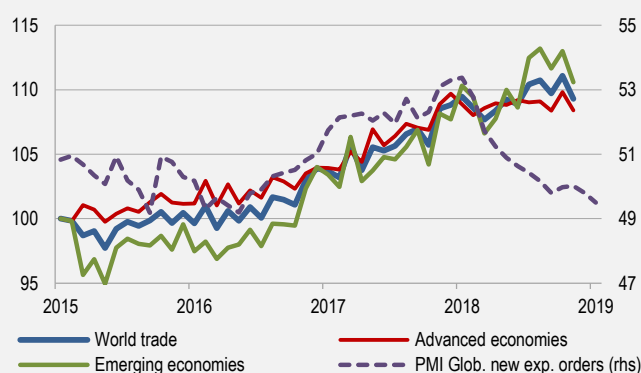
(base 2005=100 and % change)



Source: Istat

2. WORLD TRADE AND PMI GLOBAL

(base 2015=100; SA)



Source: CPB and IHS

THE INTERNATIONAL ENVIRONMENT

World economic deceleration has spilled over into Q4, particularly in the industrial sector, which has experienced a broad-based loss of momentum in many economies and a further slowing in global trade growth. In November, according to CPB data the merchandise World trade in volume decreased 1.6%. Overall, World trade in 2018, after the brilliant performance in 2017, returned towards the modest growth rate experienced in 2016. The PMI Global on new export orders in January was under the 50 threshold for the second time in a row indicating that an acceleration of international trade in the coming month is unlikely.

In the euro area, seasonally adjusted GDP rose by 0.2% in Q4 2018 (0.2% in Q3), compared with the previous quarter. The result combines a negative performance in Italy (-0.2% q-o-q), that partly offsets the positive result in France and Spain (+0.3% and +0.7% q-o-q respectively). For what concern prices, annual inflation was 1.4% in January. Looking at the main components, energy is expected to have had the highest annual rate (2.6%), followed by food, alcohol & tobacco (1.8%), services (1.6%) and non-energy industrial goods (0.3%).

THE ECONOMIC SITUATION IN ITALY

In Italy, real GDP fell by 0.2% in Q4 2018, following a 0.1% drop in the previous quarter. The negative result is mainly attributable to domestic demand while the contribution of net export was positive. For what concern the supply side, the industrial production in December decreased further (-0.8% m-o-m). Overall the index decreased by 1.1% q-o-q in Q4.

As for foreign trade, in November 2018 seasonally-adjusted data, compared to October 2018, decreased both for exports (-0.4%) and for imports (-2.2%). Exports drop for EU countries (-1.3%) and rose for non EU countries (+0.6%). However, according to preliminary estimates in December also exports to non-EU countries decreased by 5.0%.

In the same month, the labour market, employment stabilized and the unemployment rate decreased only marginally. In January 2019 the Italian consumer price index for the whole nation (NIC) increased by 0.1% m-o-m and by 0.9% with respect to January 2018, down from +1.1% in the previous month. The inflation differential with respect to the euro area widened.

3. GDP AT MARKET PLACE

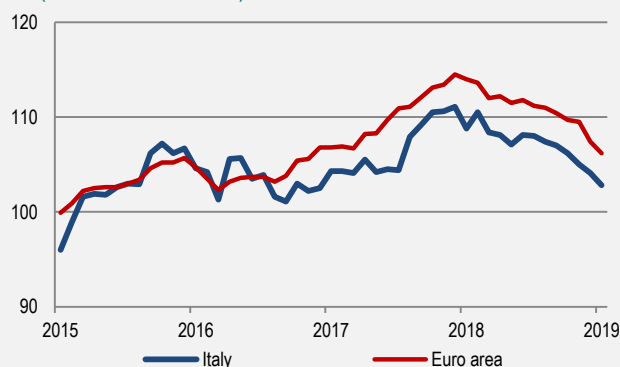
(chain linked; thousands; q-o-q)



Source: Istat

4. ECONOMIC SENTIMENT INDICATOR

(base 2010=100; SA)



Source: Istat

THE OUTLOOK

In January, the consumer confidence after two following falls increased while the business confidence continued to decrease. In the same period, the leading indicator showed a sharp fall suggesting a further worsening of the Italian cyclical position in the coming months.