

Perspectives for international trade remain negative due to persistent trade tensions and decelerating economic activity in China.

In the second quarter of 2019, Italian GDP was stable with respect to both the previous quarter and the same quarter of previous year as the result of a decrease of value added in industry and an increase in services.

In June, the seasonally adjusted industrial production index declined marginally compared with the previous month after the strong increase of May.

In the labour market, after the growth observed in the previous months, in June the estimate of employed people remained stable but the unemployment rate decreased to its lowest value since January 2012. However, the gap with the euro area average remained unchanged.

Last month, inflation continued to decelerate, driven by the energy component. The negative gap with the average inflation of the euro area and the main European partners widened further.

In July, the consumer confidence index showed a strong broad based improvement and also the business confidence improved in all sectors but manufacturing.

The leading indicator interrupted its decreasing trend, suggesting that Italian economy will improve marginally in the coming months.

### 1. LEADING INDICATOR

(base 2005=100 and % change)



Source: CPB and HIS

### 2. ECONOMIC SENTIMENT INDICATOR

(base 2010=100; seasonally adjusted)



Source: Istat

## THE INTERNATIONAL ENVIRONMENT

In May, according to the latest Central Planning Bureau data, World merchandise trade increased by 0.3% with respect to the previous month (-0.6% in April). Moreover, perspectives for international trade remain negative due to persistent trade tensions and decelerating economic activity in China as showed by the Global PMI index on new export orders still under the expansion threshold.

In the second quarter, US GDP increased by 0.5% with respect to the previous quarter while in the euro area, according to preliminary estimates growth decelerated strongly (0.2% from 0.4% in Q1).

In July, the qualitative indicators suggest that the outlook for the euro area is still subdued. The €-coin rose to 0.21 (from 0.14 in June); however, as it has done since the start of 2019, it continues to signal moderate growth in the euro area. The indicator benefited from the improvement in consumer confidence, while it continues to be held back by the weak industrial cycle and sluggish foreign trade.

In the same month, the Economic Sentiment Indicator (ESI) recorded by the European Commission decreased further (by 0.6 points to 102.7). The deterioration of euro-area sentiment resulted from lower confidence in industry, services, retail trade and construction, while confidence improved slightly among consumers. Amongst the main euro-area economies, the ESI rose in Italy (+1.4) and Spain (+0.6), while it decreased markedly in Germany (-2.4) and remained unchanged in France (+0.0, Figure 2).

## THE ECONOMIC SITUATION IN ITALY

In the second quarter of 2019 the seasonally and calendar adjusted, chained volume measure of GDP was stable with respect to both the previous quarter and the same quarter of previous year. The quarter on quarter change is the result of a decrease of value added in industry and an increase in services. From the demand side, there is a null contribution by both the domestic component and the net export component.

In June 2019, the seasonally adjusted industrial production index decreased by 0.2% compared with the previous month. The percentage change of the last three months average with respect to the previous three months was -0.7%.

As for external trade, in May seasonally-adjusted data, compared to April 2019, increased both for outgoing flows (+1.3%) and for incoming flows (+0.7%). Exports rose for EU countries (+1.7%) and non-EU countries (+0.8%). The latter, in June, in seasonally-adjusted terms, experimented a very strong increase (3.9%).

In the labour market, after the growth observed in the previous months, in June the estimate of employed people remained stable. The employment rate rose at 59.2% (+0.1 percentage points) reaching its highest value. The number of unemployed persons declined again (-1.1%, -29 thousand in the last month); the decrease involved both men and women and all age groups, with the exception of people aged 25-34. Overall, the unemployment rate dropped to 9.7% (-0.1 percentage points) but the gap with the euro area average remained unchanged.

Last month, inflation decelerated further, driven by the energy component and the negative gap with the average inflation of the euro area and the main European partners widened further. Headline inflation slowed to +0.5% with respect to the previous month (1.1% in April) while the core component stabilised on the past periods dynamics (0.5%).

## THE OUTLOOK

In July, the consumer confidence index showed a strong broad based improvement and also the business confidence displayed an improvement diffused to all sectors but the manufacturing one.

The leading indicator interrupted its decreasing trend, suggesting that Italian economy will improve marginally in the coming months (Figure 1).