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In the third quarter, the Italian seasonally and calendar adjusted, chained volume measure of Gross Domestic Product (GDP) increased by 0.1% with respect to the previous quarter.

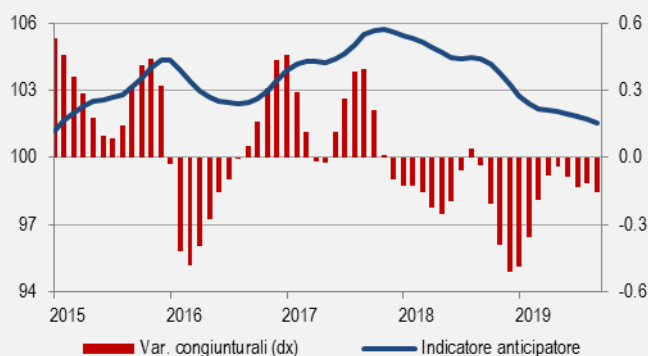
In the third quarter, domestic household consumption increased with respect to the previous quarter. The positive evolution of consumption and incomes was accompanied by the still positive signals coming from the labour market.

According to preliminary estimates, in November the Italian consumer price index for the whole nation (NIC) was stable on monthly basis and increased by 0.4% with respect to November 2018. In the same period core inflation increased by 1.0%.

In November, the consumer confidence index worsened. On the contrary, business confidence climate improved slightly although the confidence index in manufacturing weakened. The leading indicator continues to suggest that the economic activity will remain subdued in the coming months.

1. LEADING INDICATOR

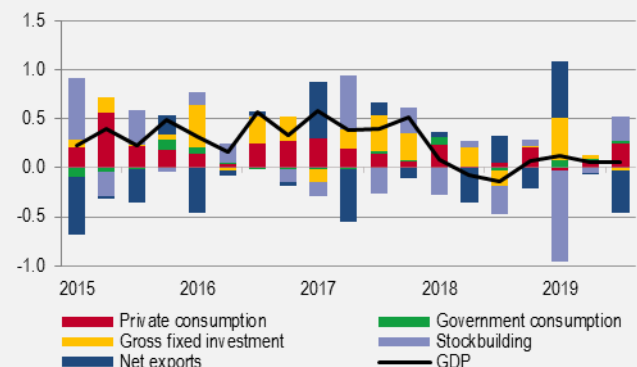
(base 2005=100 and % change)



Source: CPB and IHS

2. CONTRIBUTION TO GDP GROWTH

(q-o-q and percentage points)



Source: Istat

THE INTERNATIONAL ENVIRONMENT

Despite some minor improvements, recent data suggest that the slowdown in global GDP growth is not yet over. Risks remain tilted to the downside. Ongoing geopolitical uncertainties and trade tensions continue to put a drag on external demand. According to recent Central Planning Bureau data, in September merchandise World trade volume decreased 1.3% with respect to the previous month (0.5% in August). Overall, growth was 0.5% in Q3 partly compensating the fall in Q2 (-0.8%).

The short run perspectives in the euro area remain subdued. In November, the €-coin indicator rose slightly from 0.13 in October to 0.15, confirming that modest expansion in economic activity in the euro area continues. The indicator benefited from good stock market performance, but it was also held back by the persistent weakness in the manufacturing sector.

In the same month, the Economic Sentiment Indicator (ESI) increased in the euro area (by 0.5 points). The improvement of sentiment resulted from slight increases in confidence among consumers and retail trade managers, while confidence remained broadly unchanged in industry and services. Only in construction, the index decreased sharply. Amongst the largest euro-area economies, the ESI increased in Spain (+0.7), France and Germany (both by +0.4), while it remained virtually unchanged in Italy (-0.1).

THE ECONOMIC SITUATION IN ITALY

In the third quarter the seasonally and calendar adjusted, chained volume measure of Gross Domestic Product (GDP) increased by 0.1% with respect to the previous quarter and by 0.3% in comparison with the third quarter of 2018. Compared to Q2, final consumption expenditure increased by 0.3%, both gross fixed capital formation and exports decreased by 0.2% and 0.1% respectively, whereas imports increased by 1.3% (Figure 2).

As for external trade, in September seasonally-adjusted data, compared to August increased for outgoing flows (+1.2%) and decreased for incoming flows (-0.2%). Exports rose for both not-EU countries and EU countries. According to preliminary data, in October, in seasonally-adjusted terms, exports to non EU increased further by 6.1% and imports decreased by 3.9% in comparison with the previous month.

From July to September, domestic household consumption increased with respect to the previous quarter. The positive evolution of consumption and incomes was accompanied by the still positive signals coming from the labour market. In October, the employed people increased (+0.2%, +46 thousand) and the employment rate rose marginally (+0.1 percentage points).

According to preliminary estimates, in November the Italian consumer price index for the whole nation (NIC) was stable on monthly basis and increased by 0.4% with respect to November 2018. The slight acceleration of the growth on annual basis of headline index was mainly due to prices of processed food including alcohol and no energy industrial goods. In the same period, core inflation (excluding energy and unprocessed food) increased by +1.0% (up from +0.7%).

THE OUTLOOK

In November, the consumer confidence index worsened from 111.5 to 108.5. More specifically, the fall affected the economic component (from 127.2 to 116.3), the current one (from 107.9 to 106.8) and, finally, the future one (from 116.1 to 110.2). On the contrary, business confidence climate improved slightly (from 98.9 to 99.1) although the index in manufacturing weakened from 99.5 to 98.9. The leading indicator continues to suggest that the economic activity will remain subdued in the coming months (Figure 1).