

The international framework is characterized by desynchronization of contagion diffusion among economies, which is hampering World trade recovery.

In the second quarter the seasonally and calendar adjusted, chained volume measure of Italian GDP decreased strongly. The industrial production indexes recovered in May and June and in July the business confidence continued to improve.

In May both exports and imports increased.

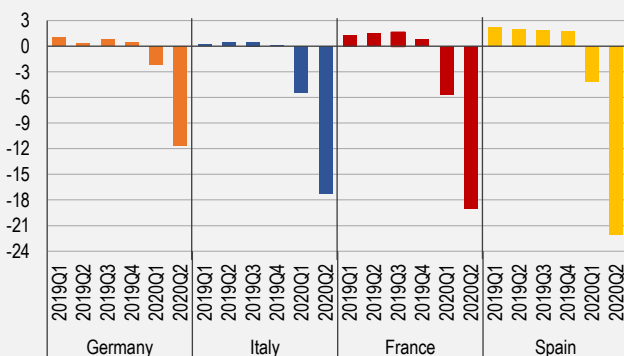
In June, employment reduced marginally and job searches increased, Households consumption augmented approaching pre crisis levels.

For the third month in a row, headline inflation decelerated due to very low energy prices. Core inflation reached its lowest value since the past one year and a half.

In the focus we present the new seasonally adjusted series of per capita worked hours. The latter provide important additional information on labour market conditions in the short-term.

### 1. GDP DYNAMICS IN ITALY AND MAIN UEM COUNTRIES

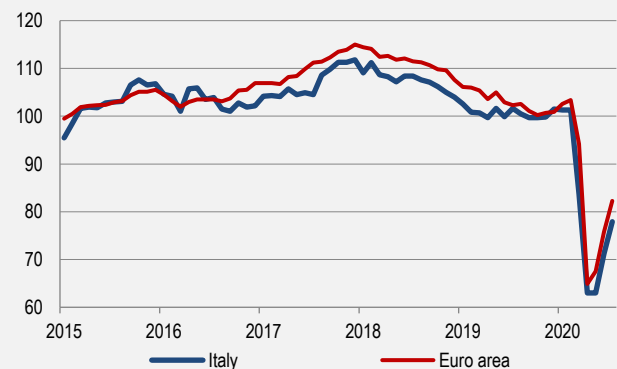
(% change on correspondent quarter)



Source: Istat and Eurostat

### 2. ECONOMIC SENTIMENT INDICATOR

(base 2010=100; seasonally adjusted)



Source: DG ECFIN

## THE INTERNATIONAL ENVIRONMENT

The international framework is characterised by desynchronization of contagion diffusion among economies which is hampering World trade recovery. The pandemic continues to grow but while in Europe and China new cases seem to be confined to clusters, in the US, South America and India the situation is worsening, increasing uncertainty on the dynamics of global economy recovery.

The merchandise World trade in real terms in May decreased by 1.1% m-o-m (source: Central planning bureau). Overall, the exchanges diminished by 8.7% in the first five months of the year with respect to the same period in 2019. The perspectives, although improving, do not signal a rapid recovery in coming months.

In USA, the pandemic is hindering the recovery of economy. The real gross domestic product (GDP) in Q2 decreased by 7.4% with respect to the previous quarter according to the "advance" estimate. In the same period, the GDP dropped also in the euro area (-12.1% q-o-q, -15% y-o-y). At national level, German GDP fell by 10.1% q-o-q (-11.7% y-o-y), the French one by 13.8% (-19.0% y-o-y) while in Spain there was a dramatic fall of 18.5% (-22.1% y-o-y) (figure 1).

In July, the soft indicators for the euro area provided mixed signals. The €-coin remained negative being affected by weak industrial production and consumer and business confidence that, although recovering in the past two months, are both still well below pre-pandemic levels.

In the same period, the recovery of the Economic Sentiment Indicator (ESI) for the euro area continued, registering a sharp increase (+6.5 points, figure 2). The ESI's regaining was driven by sharp confidence increases in industry, services, and retail trade. By contrast, confidence worsened slightly in construction and remained broadly stable among consumers. From a country perspective, the ESI continued to recover in all the largest euro-area economies, namely in Spain (+7.5), Italy (+6.7), Germany (+6.5) and France (+4.8).

## THE ECONOMIC SITUATION IN ITALY

In the second quarter, the seasonally and calendar adjusted, chained volume measure of GDP decreased by 12.4% with respect to the previous quarter and by 17.3% over the same quarter of previous year. In Q2 the industrial production index, excluding constructions, decreased by 17.5% with respect to the previous quarter. The production reached its historical minimum in April (59.4 the index value, -20.5% compared to previous month) and recovered in May (84.1, +41.6%) and in June (91.0, +8.2%). The recovery is diffused among sectors. In June 9 sectors out of 10 were in expansion.

In May, both exports and imports increased (respectively 35.0% and 5.6% in comparison to the previous month). The recovery although diffused to all sectors only partially offset the fall experienced between May and April. In June, in seasonally adjusted terms, exports towards not Eu markets increased by 14.9% and imports increased by 20.0% compared with May.

Over the last three months, seasonally adjusted data showed a 28.1% decrease in outgoing flows and a 20.3% decrease in incoming flows in comparison with the previous three months.

The recovery of the Italian economy is expected to extend in the next months. In July the business confidence continued to improve in almost all sectors.

In June, in comparison with May, the decrease in employment and the growth in unemployment continued, though at a slower pace, against a drop of inactivity. On a monthly basis, the employment rate declined to 57.5% (-0.1 p. p.). In the same period the unemployment rate rose back to 8.8% (+0.6 percentage points).

The evolution of labour market seems to sustain households' consumption that augmented in June approaching pre crisis levels. In July, the consumer confidence slightly weakened. As for its components, both the economic and the future one declined, while the personal one and the current one bettered.

For the third month in a row headline inflation decelerated due to very low energy prices. The core inflation reached its lowest value in the past one year and a half. According to preliminary estimates, in July the rate of change of the Italian consumer price index for the whole nation (NIC) was -0.1% on monthly basis and -0.3% with respect to July 2019 (-0.2% in June).

Core inflation (excluding energy and unprocessed food) was +0.5% (down from +0.7% in the previous month) and inflation excluding energy was +0.7% (down from +0.9% in the previous month).

## Focus

### RECENT DYNAMICS OF PER CAPITA LABOUR HOURS

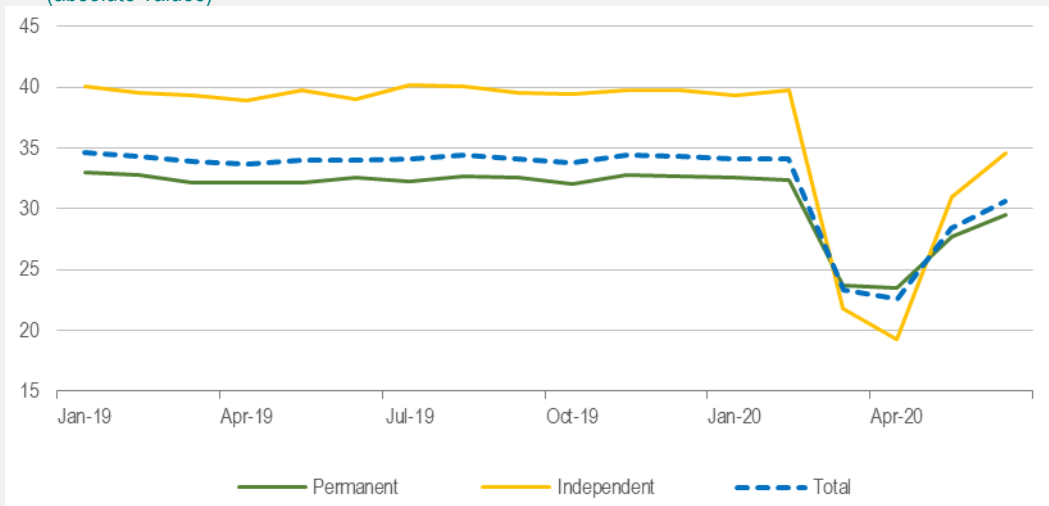
In the past months, Istat, in order to provide updated information on the economic development during the pandemic, has developed specific new surveys and indicators while has continued to publish the traditional ones.

Concerning labour market, monthly indicators on employed, unemployed and inactive people were complemented with data on weekly per capita labour hours. This index provides updated information on the degree of use of labour determined also by policies targeted to support the employment level.

Per capita labour hours are recorded by the monthly survey on labour forces. In the past months, were published only the unadjusted series which provide comparisons with the same months of previous years. In this focus using adjusted series on per capita labour hours we provide also monthly comparisons<sup>1</sup>.

### 3. WEEKLY PER CAPITA LABOUR HOURS

(absolute values)



Source: Istat

Yearly averages of unadjusted data are lower during crises periods: 31.7 weekly labour hours for permanent and 38.2 hours for independent in 2014 with respect to 32.5 and 39.6 in 2019. Looking at the unadjusted series in 2019, the August value is about 25% lower than the yearly average (24.5 for employee and 31.5 independent) while the value referred to December displays a more moderate decrease with respect to the average (respectively 30.4 and 36.9). The fall of weekly labour hours is concentrated in March. The reduction of restrictive provisions implemented by DPCM of April 26th, provided a recovery process of the weekly labour hours that had soaring in May (+5.8 hours with respect to April for total employed), and in June (+2.2 hours). The recovery was stronger for independent (+11.7 and +3.6 hours respectively in May and June) than for permanent (respectively +4.1 and +1.8) (figure 3).

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<sup>1</sup> The seasonal adjustment is done using TRAMO-SEATS.