



World trade and global industrial production have remained on a recovery path. In addition, the Brent prices have been showing a marked increase over the last few months.

In the fourth quarter of 2020, the Italian Gross Domestic Product decreased by 1.9% with respect to the previous quarter but the carry-over for 2021 is positive (+2.3%).

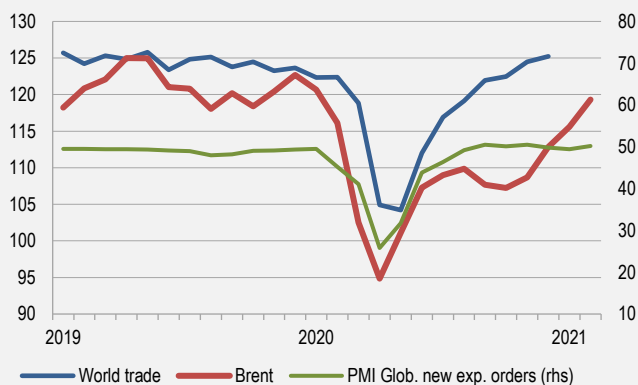
Households' consumption experimented a marked decrease in Q4 driven by reduction of expenditures for services, clothing and shoes.

In Q4, the drop in economic activity has been related to a reduction of hours worked but firm's expectations on employment have showed positive signals over the last month.

In February, inflation increased further thanks to the mitigation of energy deflationary trend and a generalised increase in core inflation.

Latest data on confidence improved in February. The increase in business confidence was larger than that of consumers and was broad based.

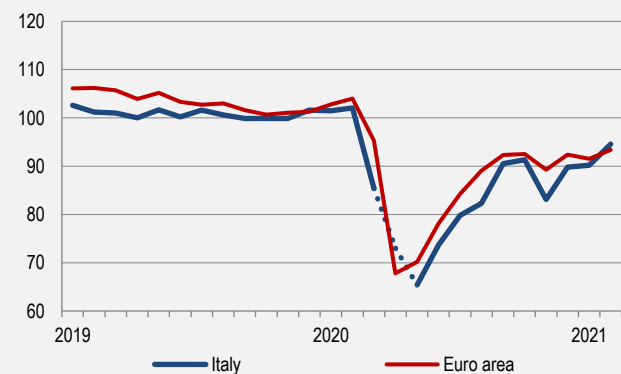
1. MERCHANDISE WORLD TRADE IN VOLUME, BRENT AND PMI GLOBAL NEW EXPORT ORDERS



Source: CPB e IHS

2. ECONOMIC SENTIMENT INDICATOR (a)

(base 2010=100; seasonally adjusted)



Source: DG ECFIN

(a) In April the survey for Italy was not observed

THE INTERNATIONAL ENVIRONMENT

World trade and global industrial production have confirmed their recovery path in December. In addition, the Brent prices have shown a marked increase over the last few months. With an increase of 0.6% in December 2020 (compared to November), World trade exceeded the pre-Covid level.

The PMI Global new export orders of February backed, after two months below 50, above the expansion threshold (Figure 1) suggesting that World trade recovery will continue over the coming months.

In the euro area, in January 2021, the seasonally adjusted volume of retail trade decreased by 5.9% negatively affected by social restrictions still imposed by the sanitary emergency in many countries and unemployment rate was 8.1% unchanged with respect to December.

The perspectives for euro area remain favourable. In February, the Economic Sentiment Indicator (ESI) picked up (+1.9 p.p., Figure 2). The increase was driven by improving confidence in industry, services and among consumers, while confidence declined slightly in retail trade and remained broadly unchanged in construction.

Amongst the largest EU economies, the ESI rose markedly in Italy (+4.4), Germany (+3.0) and, to a lesser extent, in France (+0.9). By contrast, sentiment worsened strongly in Spain (-3.2).

THE ECONOMIC SITUATION IN ITALY

In the fourth quarter of 2020, the Gross Domestic Product (GDP) decreased by 1.9% with respect to the previous quarter. Compared to Q3, final consumption expenditure decreased by 1.6%, gross fixed capital formation increased by 0.2% and both imports and exports registered a growth respectively of 5.4 percent and 1.3 percent. Both domestic and net exports contributed negatively to GDP growth.

In January, retail trade decreased sharply (-3.0%) affected by containments measures. As for foreign trade, in 2020 compared to the previous year outgoing flows dropped by -9.7% for and by -12.8% for incoming flows.

Perspectives for next months appear with a positive orientation. Therefore, both exports to non-EU27 countries and industrial production increased m-o-m (+0.4 and 1.0 respectively).

According to preliminary estimates, in February 2021 the rate of change of the Italian consumer price index for the whole nation (NIC) was +0.1% on monthly basis and +0.6% on annual basis (from +0.4%). The slight speed up of all items index was mainly due to the less amplitude of the decrease of prices of Non-regulated energy products (from -6.3% to -3.6%) and to the trend reversal of prices of Services related to transport (from -0.1% to +1.0%). Core inflation (excluding energy and unprocessed food) and inflation excluding energy slightly sped up respectively to +1.0% and to +0.9%.

In February, the consumer confidence bettered and both the economic climate and the future one improved, while the personal climate and the current one lowered. As for the business confidence climate, the index continued to improve.

FOR TECHNICAL AND METHODOLOGICAL INFORMATION:

Fabio Bacchini
bacchini@istat.it

Roberta De Santis
rdesantis@istat.it