

Recent geopolitical tensions were added at the pre-existing risk factors to the international environment determining for the moment mostly a huge increase in commodities prices.

The deceleration of Italian GDP growth in the last part of the year has been followed by a fall in industrial production in January.

Employment evolved accordingly to the business cycle with a marginal increase in Q4 while in January the rate of employment was substantially stable, a drop for unemployed persons occurred and inactive people rose.

According to preliminary estimates, in February, the Italian harmonised index of consumer prices (HICP) increased by 0.8% on monthly basis and by 6.2% on annual basis (+5.1% in January). The differential with euro area inflation remained positive.

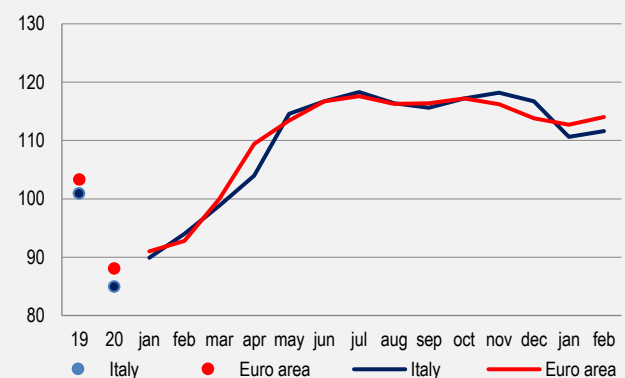
Thought, at the moment, an estimation of the impact of the international crisis is extremely complex, a counterfactual analysis of the Italian economy shows that the actual level of oil prices might subtract 0.7 percentage points to GDP growth in 2022.

1. MERCHANDISE WORLD TRADE IN VOLUME AND BRENT PRICES (index and \$ for barrel)



Source: CPB e IHS

2. ECONOMIC SENTIMENT INDICATOR (base 2010=100; seasonally adjusted)



Source: DG ECFIN

THE INTERNATIONAL ENVIRONMENT

Recently geopolitical tensions were added at the pre-existing risk factors to the international environment determining mostly a huge increase in commodities prices and interrupting the phase of dynamic global economic recovery. In December 2021, World merchandise trade in volume increased 1.1% compared with November (source: Cpb). Yearly growth for 2021 was 10.3%, which makes the level of merchandise trade considerably larger than in pre covid period. The PMI Global composite new export business index of February, which does not incorporate the impact of the recent geopolitical tensions, assumed a positive orientation (Figure 1).

The euro area economic dynamics was particularly buoyant in 2021 but in last months inflation has been peaking up. Annual inflation is expected to be 5.8% in February (+5.1% in January) according to a flash estimate from Eurostat. Looking at the main components, energy is expected to have the highest annual rate (31.7%, compared with 28.8% in January), followed by food, alcohol & tobacco (4.1%, compared with 3.5% in January). In January, the euro area seasonally-adjusted unemployment rate was 6.8% (7.0% in December 2021) and the seasonally adjusted volume of retail trade increased by 0.2%. Economic perspectives for the euro area, before the beginning of the war were positive. After three consecutive decreases, the Economic Sentiment Indicator (ESI) picked up in February with improvement diffused to the main countries and driven by mounting confidence in services, retail trade and, to a lesser extent, construction, while confidence stayed virtually unchanged in industry and declined slightly among consumers. (Figure 2).

THE ECONOMIC SITUATION IN ITALY

In the fourth quarter of 2021 the GDP increased by 0.6% to the previous quarter and by 6.2% in comparison with the fourth quarter of 2020. Compared to previous quarter, final consumption expenditure increased by 0.2%, gross fixed capital formation by 2.8%, imports by 4.2% and exports remained unchanged. The carry-over for 2022 is equal to 2.3%. The deceleration of GDP growth in the last part of the year has been followed by a fall in industrial production in January (-3.4% with respect to the previous month).

As for foreign trade, in December 2021 seasonally-adjusted data, compared to November, decreased by -1.1% for outgoing flows and increased by 7.5% for incoming flows. Exports dropped by -0.2% for EU countries and by -2.1% for non EU countries. Imports grew by 10.0% for EU countries and by 4.4% for non EU countries. Over the last three months, seasonally-adjusted data, compared to the previous three months, increased by 2.4% for exports and by 7.5% for imports. As for foreign trade with non EU countries, in January 2022, in seasonally adjusted terms, exports increased by 5.3% and imports increased by 10.1% compared with December 2021.

In January, estimates for seasonally adjusted index of retail trade fell in the month on month series, decreasing by 0.7% in volume terms and the number of employed people was substantially stable, while a drop was recorded for unemployed persons and inactive people rose. The unemployment rate fell to 8.8% (-0.2 p.p.)

According to preliminary estimates, in February the rate of change of the Italian consumer price index for the whole nation (NIC) was 0.9% on monthly basis and 5.7% on annual basis (from +4.8% in the previous month). The speed-up of the growth on annual basis of All-item index was mainly due to the prices of Energy (from +38.6% in January to +45.9%), especially of those of Non-regulated energy products (from +22.9% to +31.3%), whereas those of Regulated energy products confirmed their huge increase (from +94.6% to +94.4%). Moreover, also prices of Unprocessed food (from +5.3% to +6.9%) and of Processed food including alcohol (from +2.2% to +3.2%) speed up.

In the same month, according to preliminary estimates, the Italian harmonised index of consumer prices (HICP) increased by 0.8% on monthly basis and by 6.2% on annual basis (from +5.1% in January). The differential with euro area inflation remained positive.

Thought an estimation of the impact of the international crisis is at the moment extremely complex, a counterfactual analysis of the Italian economy shows that the actual level of oil prices might subtract 0.7 percentage points to the GDP growth in 2022. The rising prices are expected to slow down private consumption and a reduction of employment would occur.

FOR TECHNICAL AND METHODOLOGICAL INFORMATION:

Fabio Bacchini

bacchini@istat.it

Roberta De Santis

rdesantis@istat.it