

International outlook is deteriorating amid increasing uncertainty and high inflation related to geopolitical tensions.

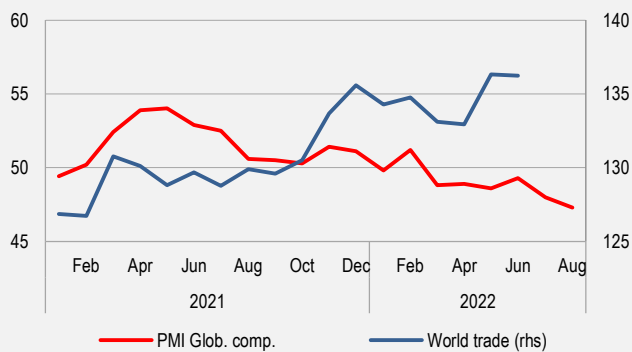
In the second quarter, Italian GDP increased driven by domestic demand while net foreign demand gave a negative contribution.

The number of both employed and unemployed persons decreased in July, while a growth was recorded for inactive people. The unemployment rate declined to 7.9%.

According to preliminary estimates, in August the rate of change of the Italian consumer price index for the whole nation (NIC) was 8.4% on annual basis (from +7.9% in July).

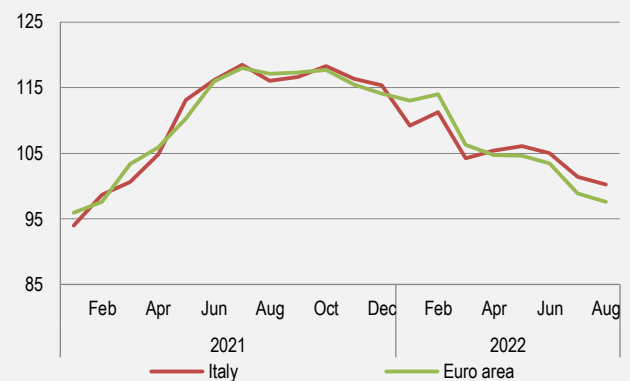
The outlook for next months returns evidences for deceleration of economic activity. In July, the seasonally adjusted industrial production index increased by 0.4% compared with the previous month while in August the business climate survey showed expectations deterioration driven by manufacturing and construction firms.

### 1. MERCHANDISE WORLD TRADE IN VOLUME AND PMI GLOBAL COMPOSITE NEW EXPORT BUSINESS



Source: CPB and IHS

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



Source: European Commission

## THE INTERNATIONAL ENVIRONMENT

International outlook is deteriorating amid increasing uncertainty and high inflation related to geopolitical tensions. World trade volume declined by 0.1% in June (m-o-) following a 2.6% increase in May. Overall in the second quarter, World trade increased by 0.8% (following 0.6% in the first quarter).

In August, the PMI Global composite new export business index remained below the expansion threshold for the sixth month in a row, suggesting that international trade will decrease in the coming months (Figure 1).

In the euro area, in the second quarter, GDP increased by 0.8% compared with the previous quarter. In July, the seasonally adjusted volume of retail trade increased by 0.3% and unemployment rate decreased at 6.6% (6.7% in June).

Euro area annual inflation is expected to be 9.1% in August, up from 8.9% in July according to a flash estimate from Eurostat. Looking at the main components of euro area inflation, energy is expected to have the highest annual rate in August (38.3%, compared with 39.6% in July), followed by food, alcohol & tobacco (10.6%, compared with 9.8% in July), non-energy industrial goods (5.0%, compared with 4.5% in July) and services (3.8%, compared with 3.7% in July)

The outlook for the euro area as a whole is worsening. In August, the Economic Sentiment Indicator (ESI) decreased further (-1.3 points). The fall was driven by a significant weakening of confidence in industry and, to a lesser extent, services, which was only partially offset by tentative signs of stabilisation of retail trade, construction and consumer confidence (Figure 2).

## THE ECONOMIC SITUATION IN ITALY

In the second quarter the Italian Gross Domestic Product (GDP) increased by 1.1% compared to the previous quarter driven by the final consumption expenditure and gross fixed capital formation, both increased by 1.7%. Net foreign demand returned a negative contribution with imports increasing by 3.3% and exports by 2.5%. Trade balances has been deteriorating affected by increasing prices of imported energy commodities.

The outlook for coming months returns evidences for deceleration of economic activity. In July, the seasonally adjusted industrial production index, after two consecutive falls, increased modestly by 0.4% compared with the previous month. In August, the business climate survey showed a deterioration of expectations driven by manufacturing and construction firms. In manufacturing new orders declined both on the domestic and the foreign market.

In July, estimates for seasonally adjusted index of retail sales volume was up 1.0%. In the same month, the number of both employed and unemployed persons decreased, while a growth was recorded for inactive people. The unemployment rate declined to 7.9% (-0.1 p.p.)

According to preliminary estimates, in August the rate of change of the Italian consumer price index for the whole nation (NIC) was 8.4% on annual basis (from +7.9% in July).

The speed-up of the growth on annual basis of All-item index was mainly due to the prices of Energy (from +42.9% to +44.9%), specifically of Non-regulated energy products (from +39.8% to +41.6%), of Processed food including alcohol (from +9.5% to +10.5%) and of Durable goods (from +3.3% to +3.9%). Quite the opposite, the prices of Services related to transport slowed down (from +8.9% to +8.4%). The harmonised index of consumer prices (HICP) increased by 9.0% on annual basis (from +8.4% in the previous month).

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