

The international environment remains characterised by high uncertainty and risks tilted to the downside. The decelerating inflation pattern is likely to be longer than initially expected.

Italian GDP in the fourth quarter 2022 decreased marginally with respect to the previous period. This result was determined by net exports positive contribution offsets by the negative one of domestic demand excluding inventories.

On the supply side, in January industrial production index, after a strong rise the previous month, decreased by 0.7% with respect to December.

Labour market conditions improved further in January. Full time employees are now above the 2019 average, while self-employed workers are still below pre-pandemic levels.

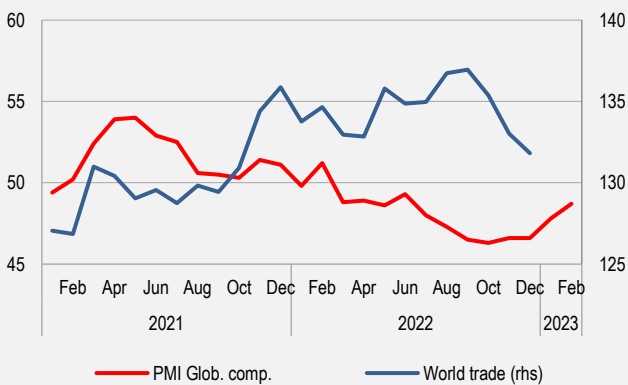
Italian harmonised index of consumer prices (HICP) increased by 9.9% on annual basis. The differential with the euro area, although still positive, diminished.

Perspective for Italian economy remains mildly positive. In February, the consumer confidence increased with improvements diffused to all index components, while the business confidence, after three rises in a row, remained stable.

1. MERCHANDISE WORLD TRADE IN VOLUME AND PMI

GLOBAL COMPOSITE NEW EXPORT BUSINESS

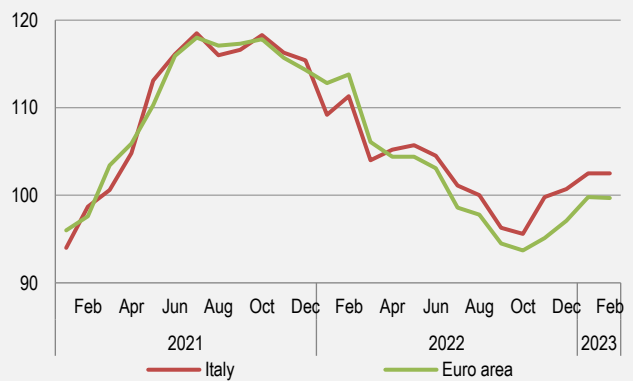
(index base 2010=100; >50 = growth)



Source: CPB and IHS

2. ECONOMIC SENTIMENT INDICATOR

(index base 2010=100; seasonally adjusted)



Source: European Commission

THE INTERNATIONAL ENVIRONMENT

The international environment remains characterised by high uncertainty and risks tilted to the downside. The decelerating inflation pattern is likely to be longer than initially expected. World merchandise trade volume in December decreased by 0.9% (-1.7% the previous month). The perspectives for global demand are worsening. In February, the PMI Global composite new export business increased, but remained below the expansion threshold for the twelfth month in a row (Figure 1).

In the fourth quarter of 2022, seasonally adjusted GDP stabilised in the euro area. This result was determined by negative contributions from domestic demand (both private consumption and gross fixed investments) and positive ones from government expenditure, inventories and net exports.

In January, the seasonally adjusted volume of retail trade increased by 0.3% and the unemployment rate stabilised at 6.7%. Euro area annual inflation is expected to be 8.5% in February, down from 8.6%. Looking at the main components of the index, food, alcohol & tobacco is expected to have the highest annual rate, followed by energy, non-energy industrial goods and services. The core inflation, excluding food energy and tobacco, accelerate further to 5.6% from 5.3% in the previous month.

The outlook for the euro area stabilised in February. The recovery of the Economic Sentiment Indicator (ESI), prevailing since last November, came to a halt (-0.1 points, Figure 2). The flat outcome was the result of lower confidence in industry and services and increasing confidence in retail trade and among consumers. Sentiment in construction remained stable. At national level, the ESI decreased in Spain (-2.0) and France (-1.5) and stayed broadly flat in Germany (+0.1) and Italy (± 0.0).

THE ECONOMIC SITUATION IN ITALY

Italian GDP in the fourth quarter 2022 decreased marginally with respect to the previous period (-0.1%), synthetizing net export positive contribution and domestic demand excluding inventories negative one.

On the supply side, in January industrial production index, after a strong rise the previous month (+1.2%), decreased by 0.7% with respect to December. As for external trade, in December 2022 seasonally-adjusted data, compared to November, decreased by 1.9% for outgoing flows and by 1.1% for incoming flows. Exports decreased by 1.2% for EU countries and by 2.6% for non-EU countries. Imports rose by 1.5% for EU countries and fell by 3.9% for non-EU countries. Regarding non-EU-countries in January, in seasonally adjusted terms, exports increased by 0.7% and imports decreased by 9.7% compared with the previous month. Overall, in 2022, the trade balance registered a deficit of 31,011 million euro compared to the surplus of 40,334 million euro the year earlier; excluding energy, the surplus was equal to 80,267 million euro compared with 88,690-million-euro surplus in 2021.

In January, the number of employed and unemployed people increased, while a drop was recorded for inactive person. The unemployment rate raised marginally to 7.9%. In the same month, estimates for seasonally adjusted index of volume sales increased by 1.2%. The number of full time employees is now above the 2019 average, while self-employed workers are still below pre pandemic levels. According to preliminary estimates, in February the rate of change of the Italian consumer price index for the whole nation (NIC) was 9.2% on annual basis (from +10.0% in January). The slowdown of the annual inflation rate was mainly due to the prices of Regulated energy products (from -12.0% to -16.7%) and of Non-regulated energy products (from +59.3% to +40.8%). On the contrary, an upward contribution to the inflation rate came from the prices of Processed food including alcohol (from +14.9% to +16.2%), those of Unprocessed food (from +8.0% to +8.4%), Tobacco (from zero to +1.8%), Services related to recreation including repair and personal care (from +5.5% to +6.1%) and Services related to transport (from +5.9% to +6.3%). In February, the core inflation (All-items excluding energy and unprocessed food) was +6.4% (+6.0% in January). The Italian harmonised index of consumer prices (HICP) increased by 9.9% on annual basis (from +10.7% in January). The differential with the euro area, although still positive, diminished.

Perspective for Italian economy remained mildly positive. In February, the consumer confidence increased with improvements diffused to all index components, while the business confidence climate, after three increases in a row, remained stable.

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