



The international environment is characterised by decelerating inflation and high uncertainty related to the Russia–Ukraine war and tensions in the financial sector.

On the supply side, in February industrial production index, decreased for the second month in a row. In the period December- February, however, the index increased marginally.

Employment stabilised in February with respect to the previous month, synthetizing an increase for men and self-employed workers and a decrease for women and fixed-term employees.

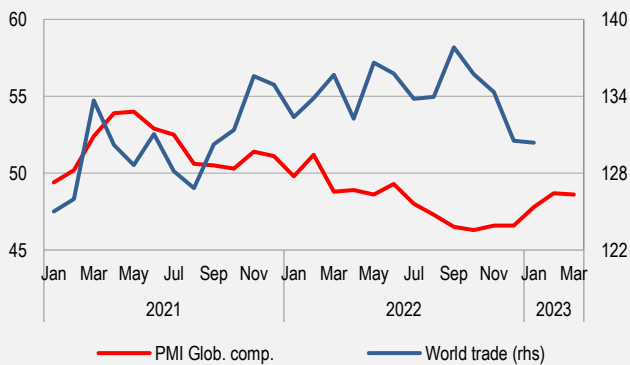
In March, according to preliminary estimates, the Italian harmonised index of consumer prices (HICP) increased by 8.2% on annual basis keeping unchanged the positive differential with euro area inflation.

Perspectives for Italian economy remain positive. In March, the consumer confidence increased further and the business confidence resumed to grow after having stabilised in February.

### 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 is still characterised by high uncertainty related to the Russia–Ukraine war and tensions in the financial sector. Inflation is decelerating in the main countries driven by falling commodities prices. World merchandise trade volume in January decreased by 0.1% (-2,8% the previous month). The perspectives for global demand are worsening. In March, the PMI Global composite new export business, below the expansion threshold from February 2022, decreased further (Figure 1). According to IMF recently released forecasts, Global growth will decelerate from 3.4% in 2022 to 2.8% in 2023.

Also Euro area GDP is expected to increase this year by 0.8% in strong deceleration from the 3.5% experienced in 2022. In February, the seasonally adjusted volume of retail trade in the euro area decreased by 0.2% and the unemployment rate stabilised at 6.6%. Euro area annual inflation is expected to be 6.9% in March, down from 8.5% in the previous month. Looking at the main components of euro area inflation, food, alcohol & tobacco is expected to have the highest annual rate followed by non-energy industrial goods, services and energy. The core inflation, excluding food energy and tobacco, accelerated further to 5.7% from 5.6% in the previous month.

The outlook for the euro area slightly worsened in March, although remaining on higher levels than at the end of 2022. The edging down of the ESI in March (Figure 2) was the result of slightly lower confidence in industry, retail trade and construction. Sentiment in services and among consumers remained virtually unchanged. Amongst the largest euro economies, the ESI increased in Italy (+2.0) and France (+0.7), while it remained broadly unchanged in Poland (+0.3), Spain (+0.1) and Germany (-0.1).

## THE ECONOMIC SITUATION IN ITALY

In the fourth quarter of 2022, gross disposable income of Italian consumer households increased by 0.8% with respect to the previous quarter, while final consumption expenditure grew by 3.0%. The saving rate of consumer households was 5.3%, 2 percentage points lower than in the previous quarter. Gross disposable income of consumer households in real terms decreased by 3.7% with respect to the previous three months.

On the supply side, in February industrial production index, decreased for the second time in a row (-0,2%) with respect to the previous month. In the period December- February, however, the index increased marginally (+0.3%). As for external trade, Italian exports in 2022 performed in line with the EU average and better than France and Germany exports. In January, seasonally-adjusted data, compared to December 2022, increased marginally for exports which remain however on higher value than in January 2022. In February, exports to non-EU27 countries increased by 17.0% and imports decreased by 6.8% compared with the same month of the previous year.

The number of unemployed people in February decreased, while employed and inactive persons remained stable. Employment stabilised in February with respect to the previous month synthesizing an increase for men and self-employed and a decrease for women and temporary workers. The unemployment rate remained unchanged at 8.0%. In the same month, estimates for seasonally adjusted index of volume sales in the month to month series dropped by 0.9%.

According to preliminary estimates, in March the rate of change of the Italian consumer price index for the whole nation (NIC) was -0.3% on monthly basis and 7.7% on annual basis (from +9.1% in February). The slowdown of the annual inflation rate was mainly due to the prices of Non-regulated energy products (from +40.8% to +18.9%) and to the more marked decline in those of Regulated energy products (from -16.4% to -20.4%) and, to a lesser extent, by the contraction in the prices of Processed food (from +15.5% to +15.3%), Non-durable goods (from +7.0% to +6.8%) and Services related to transport (from +6.4% to +6.3%). On the contrary, an upward contribution to the inflation rate came from the prices of Unprocessed food (from +8.7% to +9.3%), Tobacco (from +1.8% to +2.5%) and those of Services related to recreation including repair and personal care (from +6.1% to +6.3%).

In March, according to preliminary estimates, the Italian harmonised index of consumer prices (HICP) increased by 8.2% on annual basis (from +9.8% in February) keeping unchanged the positive differential with euro area inflation.

Perspective for Italian economy remained mildly positive. In March, the consumer confidence index increased further and business confidence climate, resumed to grow after having stabilised in February.

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