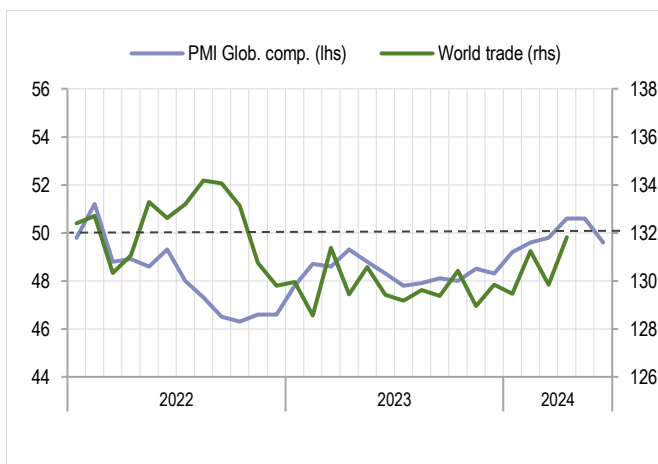


- The outlook for the international economy is moderately positive but characterized by various uncertainty factors.
- In May, the seasonally adjusted Italian industrial production index recorded a month-on-month increase, interrupting the downward trend of the previous two months.
- Although between February and April trade in goods in value increased compared to the previous three months, the trend remained weak in comparison with the previous year.
- Between March and May, the level of employment increased by an average of 0.6%, broad-based between permanent employees, self-employed workers, both sexes, and all age groups, with the exception of 25-34 year olds.
- Inflation in Italy continued to be at the lowest levels among euro area countries. The Harmonized Index of Consumer Prices (HICP) in the first six months of 2024 rose by 0.9% year-on-year, 1.6 percentage points below the euro area average.
- In June, business confidence deteriorated for the third consecutive month, while consumer confidence improved in all components of the index.

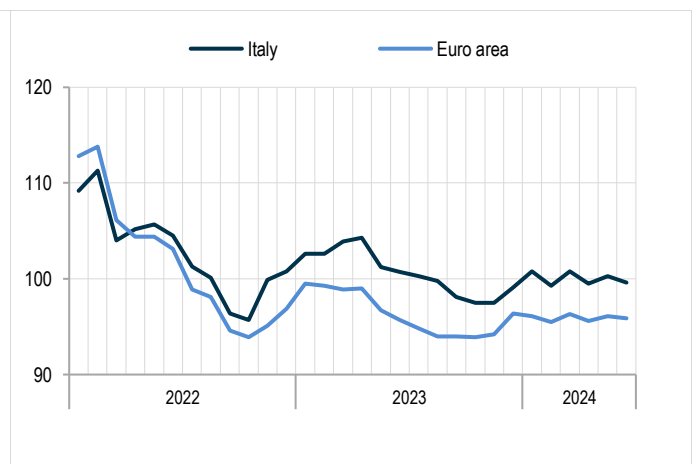
**Focus:** *In a context where global production and supply interdependencies are prevalent, the need to strengthen the governance of production processes has progressively increased the weight of multinational companies on Italy's foreign trade flows. These trends were not altered by the pandemic crisis. In 2021, this type of company made a decisive contribution to Italian trade, accounting for about 75% of exports and over 80% of imports of the production system.*

**FIGURE 1. MERCHANDISE WORLD TRADE IN VOLUME AND PMI GLOBAL COMPOSITE NEW EXPORT BUSINESS.** Index base 2010=100; >50 = growth



Source: CPB and HIS

**FIGURE 2. ECONOMIC SENTIMENT INDICATOR (ESI).** Index base 2010=100; seasonally adjusted



Source: European Commission

## THE INTERNATIONAL ENVIRONMENT

**The global economy remains on a path of sustained expansion**, supported by declining inflation and still solid labor market conditions. Overall, the outlook for the coming months is cautiously optimistic, but characterized by significant uncertainty due to a number of factors, including persistent geopolitical tensions and the outcomes of elections in some strategic countries and regions.

**The outlook for global trade is deteriorating.** International merchandise trade volumes, after a 0.4% month-on-month increase in the first quarter, continued to grow in April (+1.5% from -1.1% in March), driven by Chinese exports. The global Purchasing Managers Index (PMI) for new export orders, which anticipates the trend in international trade, slipped back below 50 (49.6) in June after just two months above the expansion threshold (Figure 1).

**The disinflation process continues**, but energy raw material prices have resumed their upward trend. Brent prices, which averaged \$83.1 per barrel in the first quarter of this year, rose to \$84.9 between April and June, partly driven by the effects of geopolitical tensions. Natural gas prices have also resumed their upward trend (76.8 and 81.1 the index of prices in the first and second quarters of 2024, respectively).

**The euro-dollar exchange rate remains stable.** The ECB cut interest rates by 25 basis points to 4.25% from 4.50% in June, despite revising upward its inflation expectations. In the United States, still solid labor market conditions could further delay the reversal of the monetary policy cycle.

Despite the possible policy asynchrony between the two areas, the euro-dollar exchange rate continued to fluctuate around the 2023 levels, averaging 1.08 dollars per euro in the first half of the year.

**China's economy grew faster than expected in the first half of 2024**, driven mainly by manufacturing exports. However, domestic demand and activity in services continued to show some weakness, held back by the real estate crisis and low consumer and private investor confidence. The government's real GDP growth target for 2024 of "around 5%" is expected to be met. Year-on-year consumer price inflation remained close to zero in the first 5 months of 2024.

**Economic activity remains very dynamic in the United States.** Despite a slowdown in the first quarter of 2024 (+0.4% month-on-month from +0.8% in Q4 2023), the US economy continued to expand, supported by household consumption and private investment.

Although inflation peaked in mid-2022, data from the first half of 2024 (the consumer price index rose +3.3% in May) does not yet show a rapid decline towards the central bank's target. This suggests that the Federal Reserve may not start easing monetary policy until later in the year, with only one cut expected by markets in 2024.

**In the euro area, the disinflationary process continued:** the consumer price index rose by 2.5% in June, from 2.6% the previous month. After the first benchmark interest rate cut in June, market expectations have turned towards two more cuts in the second half of the year (one per quarter).

**The growth outlook for the euro area is stable.** Strong labor market conditions (+6.4% unemployment rate in May) should continue to support household purchasing power and consumption. Economic activity should also be driven by investments financed by the Next Generation EU program. In June, the Economic Sentiment Indicator (ESI) remained essentially unchanged (Figure 2).

The data shows mixed results across sectors and countries. In industry, construction and among consumers, confidence remained solid, indicating cautious optimism for the economic outlook; on the other hand, it fell slightly in services and retail. In country detail, the ESI deteriorated in France and Italy (-0.7 points in both countries), while it improved in Spain (+1.1) and remained stable in Germany (-0.2 points).

## THE ECONOMIC SITUATION IN ITALY

**The Italian economy continues to grow.** The full estimate of quarterly national accounts confirmed a 0.3% month-on-month increase (+0.7% year-on-year) in the Italian economy in the January-March period. The GDP carry over for 2024 is 0.6%. The expansion was supported by household's consumption and

investments, which provided a positive contribution of 0.2 and 0.1 percentage points, respectively, while the contribution of public administration expenditure was zero.

The contribution of net foreign demand was very positive (0.7 percentage points), thanks to a sharp reduction in imports (-1.7%) and an expansion of exports of goods and services (+0.6%); the contribution of stocks was negative (-0.7 percentage points).

**In May, the seasonally adjusted industrial production index recorded a month-on-month increase**, interrupting the downward trend of the previous two months (+0.5%), following robust growth in the energy sector (+3.0%), more contained and of similar magnitude for consumer and intermediate goods (+0.7%), and a decline in the capital goods group (-1.0%). However, in the March-May average, the production index fell by 1.6% compared to the previous three months. The slowdown is widespread across all main industry groups, with the exception of the energy sector (+0.1%), and very marked for capital goods (-3.2%).

**Goods trade remains sluggish, particularly with the EU.** Exports of goods since the beginning of the year have shown moderate growth: considering the first four months of 2024, the year-on-year increase in value was 0.3%, with an increase in direct sales to non-EU markets (+2.3%) contrasted by a decline to EU countries (-1.4%).

**Household disposable income is on the rise.** In the first quarter of 2024, household disposable income, after the decline in the previous three months, marked a sharp increase on a month-on-month basis (+3.5%); purchasing power, also favored by the slight increase in prices, grew considerably (+3.3%), continuing a recovery path that began in the first quarter of 2023.

**Employment fell in May but remained positive for the quarter.** In May, there was a marginal decrease in employment (-17,000 units), with the number of employed persons falling to 23 million 954,000 units. The decrease affected only men, individuals between the ages of 15 and 24, and those over the age of 50. By professional position, employment decreased among fixed-term employees and self-employed workers, while it increased among permanent employees. The employment rate, equal to 62.2%, decreased by 0.1 percentage point compared to April.

Unemployment remained unchanged compared to the previous month due to an increase in male unemployment and an equivalent decrease in female unemployment. The number of job seekers increased mainly among 25-34 year olds and decreased in particular among 35-49 year olds. The total unemployment rate remained at 6.8% in May, while the youth unemployment rate, as well as the inactivity rate, increased by one-tenth of a point compared to the previous month (to 20.5% and 33.1%, respectively).

**Consumer inflation in Italy remains below 1.0%.** In May and June (preliminary data), the trend of the consumer price index for the whole nation (NIC) was 0.8% year-on-year. In June, the acquired inflation for 2024 was also 0.8%. Inflation in Italy continues to be at the lowest levels among euro area countries.

The Harmonized Index of Consumer Prices (HICP) continues to grow at a much slower pace than the euro area average. In June, inflation in Italy was 0.9%, compared to 2.5% in Germany, France and the euro area, and 3.5% in Spain. The carryover inflation for 2024 was 1.2% in June.

## THE OUTLOOK

**Business confidence worsens while consumer confidence improves across all components.** The business climate confidence index fell for the third consecutive month in June, with a deterioration in all sectors except construction.

In manufacturing, judgments on orders are down, while inventories of finished products are expected to increase; expectations on the level of production are also down, albeit to a lesser extent. In market services, judgments on orders also showed a negative trend, despite an improvement in opinions on business trends and expectations on orders. In the retail sector, on the other hand, the deterioration concerns both judgments and expectations on sales.

In the same month, the consumer confidence index rose for the second consecutive month, reaching its highest level since February 2022. The positive trend in the consumer confidence index reflects a general improvement in all its components: the economic climate and the future climate have recorded the sharpest increases.

## For technical and methodological information

### **Roberta De Santis**

tel.+39 06 4673 7294

[rdesantis@istat.it](mailto:rdesantis@istat.it)

### **Claudio Vicarelli**

tel.+39 06 4673 7313

[cvicarelli@istat.it](mailto:cvicarelli@istat.it)