

Monthly GDP: December 2018

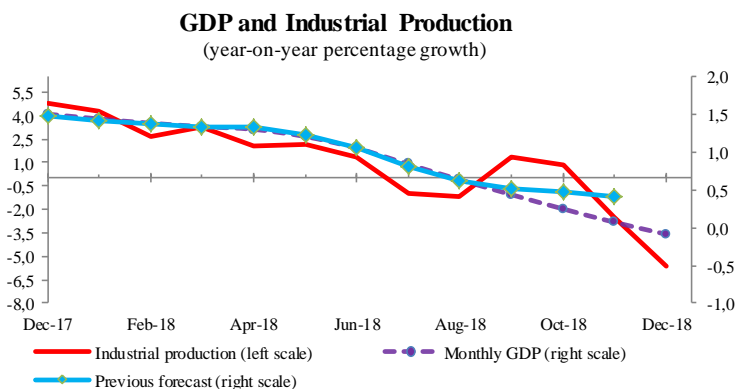
Economic activity declined in the second half of 2018

Real GDP dropped 0.2% q/q in Q4 2018 after declining 0.1% q/q in Q3, therefore entering a "technical recession". According to ISTAT, the quarterly print was due to the negative contribution from (gross) domestic demand outpacing positive support stemming from net exports.

The revised estimate of monthly real GDP reflects the negative print in 4Q2018 and the weakness in latest economic indicators, pointing to a -0.04% m/m drop in December (-0.09% y/y).

Industrial production (excluding construction) contracted further by 0.8% m/m in December, below expectations, following a decline of 1.7% m/m in November. In terms of the main industrial groups, results were mixed across the board: nondurable consumer goods posted the highest fall (-3.3% m/m) followed by the energy component (-1.5% m/m) and durable consumer goods (-0.8% m/m), while intermediate goods marginally expanded by 0.1% m/m and investment goods remained muted.

This, combined with further deterioration of business sentiment in January (with both manufacturing and service PMI indices under the expansionary threshold), suggests that economic activity is unlikely to expand much in Q1 2019.



(*) Monthly GDP estimate is based on the model documented in Frale C. et al. "EUROMIND: A Monthly Indicator of the Euro Area Economic Conditions", Journal of the Royal Statistical Society: Series A, 174, 439- 470. GDP figures incorporate monthly forecasts of the Italian industrial production index obtained by bridge models.

	Industrial production (ISTAT)	Monthly GDP (previous monthly estimate)	Monthly GDP (revised estimate)
	(1)	(2)	(3)
Dec-17	2,3	0,11	0,12
Jan-18	-2,4	0,12	0,12
Feb-18	-0,7	0,10	0,09
Mar-18	1,0	0,09	0,07
Apr-18	-1,4	0,07	0,04
May-18	0,6	0,02	0,01
Jun-18	0,3	-0,03	-0,02
Jul-18	-1,9	-0,08	-0,05
Aug-18	1,9	-0,04	-0,07
Sep-18	-0,4	0,00	-0,08
Oct-18	-0,1	0,04	-0,09
Nov-18	-1,7	0,03	-0,07
Dec-18	-0,8		-0,04