Monthly GDP: January 2020

Nil growth in January amid manufacturing weakness and global uncertainty

According to the preliminary estimate issued by ISTAT for 4T2019, GDP contracted by 0.34 % t/t as a result of a decline of manufacturing and agriculture value added against a substantial stagnation in services. Industry’s difficulties are confirmed by the negative industrial production figures of December, with the index decreasing by 2.7 % m/m due to a decline in production spread to all sectors.

Looking ahead, the weakness of the economic activity at the end of last year leads to a downward revision of the forecast of monthly real GDP, which now projects a decrease of 0.02 % m/m in January (-0.26 % y/y).

Nevertheless, preliminary surveys for January show signs of slight improvement in economic dynamics. In particular, both the PMI index and ISTAT survey on production expectations signal a slight recovery for the manufacturing sector and also the latest indicators for services point to a consolidation of growth. However, surveys do not yet capture the impact on the expectations of businesses and consumers of the emergency connected to the occurrence of the coronavirus.