

Monthly GDP: March 2020

Early signs of the impact of Covid on the economy

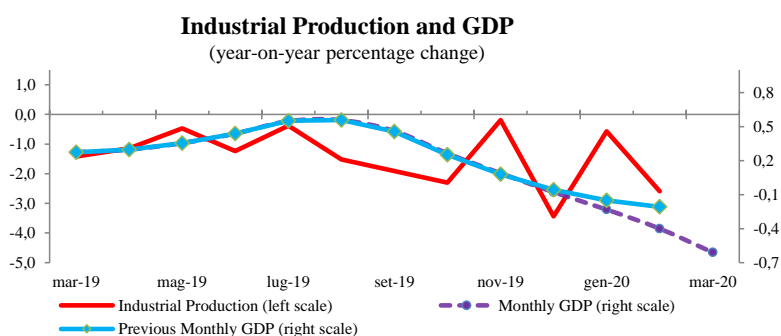
Nowcasting estimates begin to incorporate the impact of epidemic crisis as soft indicators fall markedly. Projections are expected to deteriorate further with the worsening of hard data.

The updated monthly estimate of the real GDP points to a reduction of the economic activity in March (-0.16% m/m, -0.61% y/y), starting to reflect the impact of the lockdown aimed at containing the spread of the virus.

The February data of industrial production showed a decrease of the production levels (-1.2% m/m), lower than expectations, which pointed to a more severe contraction. Consumption goods and intermediate goods fell by 0.9% and 1.1% respectively, capital goods displayed a nul growth, while the energy sector recorded an increase (2.7% m/m).

Industrial production data yet do not fully take into account the effects of the lockdown, started the 23 February and limited only to a part of Italy.

On the contrary, the surveys in March point to a big drop as a consequence of lockdown. The manufacturing PMI index reached an 11-year low (at 40.3 points from 48.7 in February) and ISTAT surveys show a sharp reduction in business confidence in March (89.5), the lowest level since 2013. As for the service sector, the relative PMI index points to a historical minimum (at 17.4), losing 34.7 points, and other indicators, such as new car registrations, reveal a huge fall.



(*) The monthly GDP estimate is based on the methodology published in Fralle C. et al. "EUROMIND: A Monthly Indicator of the Euro Area Economic Conditions", Journal of the Royal Statistical Society: Series A, 174, 439-470. The GDP estimate takes into account the forecasts of the industrial production made through a bridge model.

	Industrial Production (ISTAT)	Monthly GDP (updated estimate)	Monthly GDP (previous estimate)
	(1)	(2)	(3)
Mar-19	-1,0	0,04	0,04
Apr-19	-0,8	0,02	0,02
May-19	0,9	0,03	0,03
Jun-19	-0,5	0,04	0,04
Jul-19	-0,6	0,05	0,05
Aug-19	0,3	-0,01	-0,02
Sep-19	-0,4	-0,08	-0,08
Oct-19	-0,3	-0,14	-0,15
Nov-19	0,2	-0,11	-0,11
Dec-19	-2,7	-0,08	-0,06
Jan-20	3,6	-0,06	0,00
Feb-20	-1,2	-0,10	0,01
Mar-20		-0,16	