

## Monthly GDP: April 2020

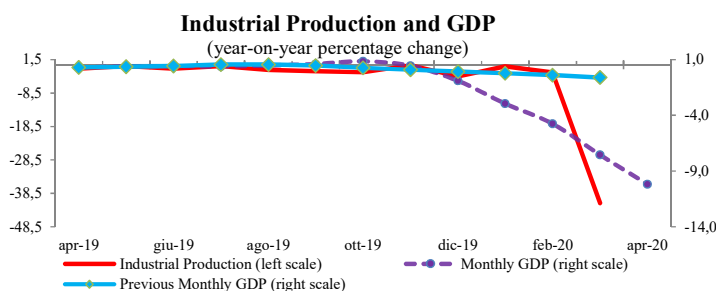
### Unprecedented drop in GDP due to the lockdown

The unprecedented contraction of real GDP at the beginning of the year signalled by Istat's flash estimate (-4.7% q/q in 1Q20) and the collapse of industrial production in March (-28.4% m/m), as well as the new lows reached by the April economic surveys, reveal the heavy economic effects of the ongoing pandemic. In this context, it is even more difficult to make short-term growth forecasts that capture the severity of the current shock. Facing this extraordinary historical period, the difficulties are not only in carrying out the forecasting exercise but also in the data production by the National Statistics Institute.

The updated monthly estimate of the real GDP points a further contraction in economic activity in April (-2.3% m/m, -10.2% y/y), after the 2.5% drop in March, which is extensively revised from the previous estimate of -0.6%.

The industrial sector is largely compromised, making an exceptional drop in March (-28.4% m/m), the strongest among the Eurozone countries due to the more stringent containment measures adopted by the Italian government. In the manufacturing sector, activity collapsed by 30.6% m/m, a decline that widens in sectors as textiles, clothing, leather goods and accessories (-51.1%) and means of transport (-60.1%). Marked reductions are observed in capital goods (-39.9%), intermediate goods (-27.3%), consumer goods (-27.2%) and energy (-10.1%).

The surveys in April update the new minimums already reached in March. The composite PMI index recorded the deepest collapse in 22 years, reflecting the extraordinary contraction of production in manufacturing (31.1 points) and services (10.8).



(\*) 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)
Apr-19	-0,8	0,05	0,02
May-19	0,9	0,06	0,03
Jun-19	-0,5	0,01	0,04
Jul-19	-0,7	-0,07	0,05
Aug-19	0,4	0,08	-0,01
Sep-19	-0,4	0,19	-0,08
Oct-19	-0,3	0,28	-0,14
Nov-19	0,2	-0,43	-0,11
Dec-19	-2,7	-1,22	-0,08
Jan-20	3,6	-1,90	-0,06
Feb-20	-1,0	-1,70	-0,10
Mar-20	-28,4	-2,54	-0,16
Apr-20		-2,35	