

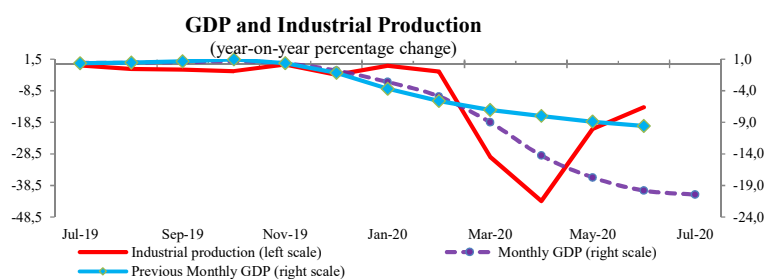
Monthly GDP: July 2020

Monthly indicator signals easing of GDP fall

GDP intensified its fall in Q2 2020, when economic activity was most affected by measures to contain the spread of the virus. Nonetheless, the preliminary estimate provided by ISTAT, even showing an unprecedented collapse (-12.4% q/q, -17.3% y/y), resulted better than expected by the consensus and more contained than in France (-13.8% q/q) and Spain (-18.5% q/q).

The most recent economic information shows an ongoing recovery, thanks to the reopening of the activities and the gradual easing of the containment measures. The updated estimate of real GDP remains negative in June (-0.9% m/m, -20.4% y/y), still influenced by the drop in GDP and the weakness of industrial production, which, although recovering, is still well below its pre-crisis levels. In fact, notwithstanding the ongoing recovery of the index in June (8.2% m/m from 41.6% in May), industrial production levels are still 13pp below January 2020 and 6pp lower than the minimum reached during the financial crisis in 2009.

Surveys points to a recovery in manufacturing in July, as shown by the return to the expansion zone of the PMI index (to 51.9 points from 47.5 in June) and by the optimistic tone of confidence in manufacturing observed by ISTAT (at 85.2 points from 80.2 in June). Similar indications come from services in the same month, as shown by the intense recovery of sentiment in the ISTAT survey (to 65.8 from 52.1) and the improvement in the sectoral PMI index (to 51.6 points from 46.4 in June).



(*) The monthly GDP estimate is based on the methodology published 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. 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)
Jul-19	-0,8	-0,13	-0,09
Aug-19	0,4	0,06	0,08
Sep-19	-0,4	0,14	0,24
Oct-19	-0,3	0,21	0,40
Nov-19	0,2	-0,32	-0,52
Dec-19	-2,8	-1,02	-1,46
Jan-20	3,7	-1,70	-2,46
Feb-20	-1,1	-2,37	-1,94
Mar-20	-28,4	-4,30	-1,51
Apr-20	-20,5	-5,75	-0,97
May-20	41,6	-3,95	-0,96
Jun-20	8,2	-2,50	-0,80
Jul-20		-0,92	