

Monthly GDP: November 2018

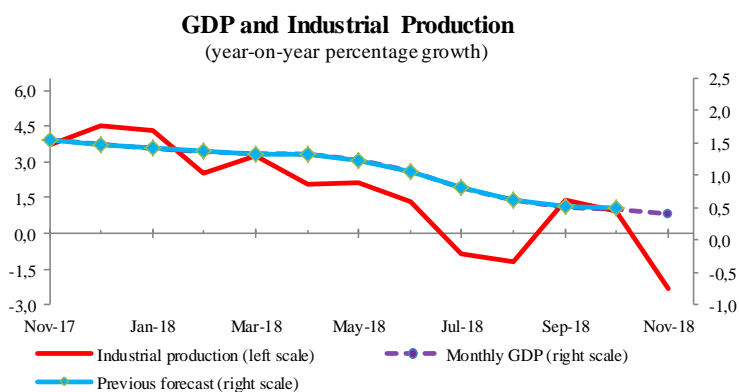
Risks of a second consecutive quarterly GDP contraction in 4Q

Economic indicators signal risks of a second consecutive quarterly GDP contraction in Q4, due to a much weaker than expected industrial production in November and to a widespread worsening of the business climate.

The revised estimate of monthly real GDP edges down to 0.03% m/m in November, implying a y-o-y expansion not exceeding 0.4%.

Industrial production dropped by a surprising -1.6% m/m in November, following two months of slight contraction (-0.1% m/m). The breakdown shows broadbased weakness, with the sole exception of energy production: intermediate goods posted the highest decline (-2.4% m/m) followed by investment goods (-1.7% m/m), durable consumer goods (-1.5% m/m) and nondurable consumer goods (-0.7% m/m), while energy expanded by 1.0% m/m.

Business surveys signal subdued economic activity also in December: composite PMI reflects weakness in manufacturing output, underpinned only by a modest recovery in the service sector (+0.2 at 50.5) back into expansionary territory since November.



(*) 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)
Nov-17	1,6	0,09	0,09
Dec-17	1,5	0,11	0,11
Jan-18	-1,8	0,12	0,12
Feb-18	-0,7	0,10	0,10
Mar-18	1,1	0,09	0,09
Apr-18	-1,4	0,07	0,07
May-18	0,7	0,02	0,02
Jun-18	0,3	-0,03	-0,03
Jul-18	-1,8	-0,08	-0,08
Aug-18	1,7	-0,04	-0,04
Sep-18	-0,1	0,01	0,00
Oct-18	-0,1	0,06	0,04
Nov-18	-1,6		0,03