

Monthly GDP: May 2020

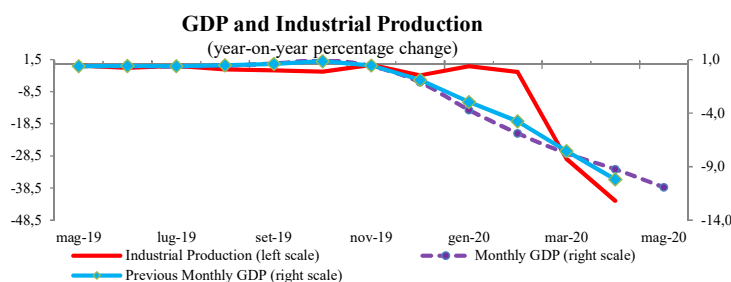
Early signs of bottoming out for economic activity

ISTAT revised downward the preliminary GDP estimate for 1Q20, pointing out a more marked contraction (-5.3% q/q from -4.7% q/q; -5.4% y/y from -4.8% y/y). The drop in GDP was mainly due to the negative contribution of internal demand net of inventories (-5.5pp), with final consumption subtracting 4.1 pp to growth, while inventories contributed positively (1.0pp). The negative contribution of net exports was more limited (-0.8 pp).

Notwithstanding early signs of bottoming out in May, the econometric model still points to a negative tendency in the following month. The updated monthly estimate of the real GDP points to a further contraction in economic activity in May (-1.5% m/m, -10.9% y/y).

Industrial production in April suffered a marked drop (-19.1% m/m), even if more contained than the one in March (-28.4% m/m). The decrease was spread to all components but particularly accentuated in capital goods (-21.8% m/m) and intermediate goods (-24.6% m/m). At the same time, modest growth was observed for energy (0.7% m/m) which rebounded after the sharp decline (-8.8%) in March, and for the pharmaceutical sector (2.0% m/m).

The surveys for May suggest the beginning of a mild recovery, which goes at the same pace with the restart of the activities. In May the composite PMI index was still in contraction, recording 33.9 points, but improving compared to the historical minimum reached in April (10.9). In detail, the PMI manufacturing index partially recovered to 45.4 points and the services one stands at 28.9 points.



(*) 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)
May-19	0,9	0,01	0,06
Jun-19	-0,4	-0,04	0,01
Jul-19	-0,8	-0,08	-0,07
Aug-19	0,4	0,08	0,08
Sep-19	-0,4	0,23	0,19
Oct-19	-0,3	0,38	0,28
Nov-19	0,2	-0,50	-0,43
Dec-19	-2,8	-1,41	-1,22
Jan-20	3,7	-2,40	-1,90
Feb-20	-1,0	-2,01	-1,70
Mar-20	-28,4	-1,69	-2,54
Apr-20	-19,1	-1,32	-2,35
May-20		-1,53	