

Monthly GDP: August 2024

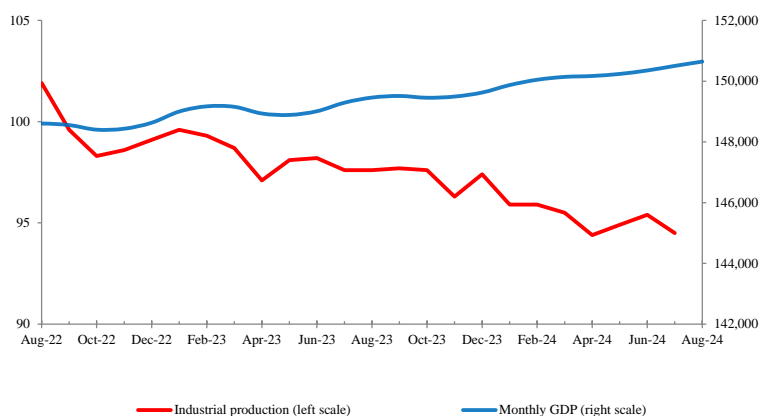
After increasing by 0.2% in 2Q, GDP is expected to grow slightly in July and August

The update of the monthly real GDP estimate indicates a slight improvement in activity in July and August (both 0.1% m/m and 0.8% y/y), after GDP grew by 0.2% q/q in the second quarter of the year, according to the complete estimate of the quarterly economic accounts released by Istat at the beginning of September.

The expansion of GDP, which maintains a monthly dynamic close to the year-to-date average, would be supported mainly by services, even if there are signs of an economic slowdown in the sector. Indeed, the most recent qualitative surveys of tertiary companies confirm a loss of momentum. The increase in business confidence in market services in August (97.9 from 96.0 in July) places it at levels still lower than the average of the first half of the year (99.6). Similarly, the PMI has remained above the expansion threshold since the beginning of the year, but the drop in August (51.4 from 51.7 in July) is the fifth consecutive one.

The positive contribution of services is accompanied by the uncertain recovery of manufacturing activity. Industrial production contracted in July (-0.9% m/m), after the increases of the previous two months (both 0.5% m/m). In perspective, the main qualitative indicators offer a heterogeneous picture. Positive signals come from the sectoral PMI, improving for the third consecutive month and close to the expansion threshold (49.4 in August). On the contrary, the sentiment of manufacturing companies decreased in August compared to the previous month (87.1 from 87.6), not far from the average since the beginning of the year (87.7). Signals from high-frequency indicators are also mixed. In August, heavy vehicle traffic fall further (-1.9% m/m), while rail freight traffic begin to grow again (1.7% m/m). In the same month, electricity consumption by energy-intensive companies increases (0.8% m/m), yet without recovering from the decline seen in July (-1.7% m/m), while gas consumption for industrial purposes is stable. On the consumption side, despite the increase in the volume of retail sales in July (0.3% m/m), expectations of lower demand contribute, in August, to a decline in the climate of confidence in retail trade (101.4 from 102.6), accompanied by that of consumer sentiment (96.1 from 98.9), which was at its highest since February 2022. In this context, the economic dynamics would be conditioned by greater attention to savings within family budgets, partially attenuating the positive stimulus deriving from the rise in real wages.

GDP and industrial production
(values in millions of euros and index 2021=100)



(*) The monthly GDP estimate is based on the methodology published in Frate 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) |
| Aug-22 | 2.3 | 0.0 | 0.0 |
| Sep-22 | -2.3 | 0.0 | 0.0 |
| Oct-22 | -1.3 | -0.1 | -0.1 |
| Nov-22 | 0.3 | 0.0 | 0.0 |
| Dec-22 | 0.5 | 0.1 | 0.1 |
| Jan-23 | 0.5 | 0.2 | 0.3 |
| Feb-23 | -0.3 | 0.1 | 0.1 |
| Mar-23 | -0.6 | 0.0 | 0.0 |
| Apr-23 | -1.6 | -0.1 | -0.2 |
| May-23 | 1.0 | 0.0 | 0.0 |
| Jun-23 | 0.1 | 0.1 | 0.1 |
| Jul-23 | -0.6 | 0.2 | 0.2 |
| Aug-23 | 0.0 | 0.1 | 0.1 |
| Sep-23 | 0.1 | 0.0 | 0.0 |
| Oct-23 | -0.1 | 0.0 | 0.0 |
| Nov-23 | -1.3 | 0.0 | 0.0 |
| Dec-23 | 1.1 | 0.1 | 0.1 |
| Jan-24 | -1.5 | 0.2 | 0.2 |
| Feb-24 | 0.0 | 0.1 | 0.1 |
| Mar-24 | -0.4 | 0.1 | 0.1 |
| Apr-24 | -1.2 | 0.0 | 0.0 |
| May-24 | 0.5 | 0.0 | 0.0 |
| Jun-24 | 0.5 | 0.1 | 0.0 |
| Jul-24 | -0.9 | 0.1 | 0.0 |
| Aug-24 | | 0.1 | |