

Monthly GDP: September 2024

After the 0.2% GDP increase in Q2, economic activity is expected to grow slightly in September

The update of the monthly real GDP estimates for September points to a further, slight expansion in activity (0.1% m-o-m, 0.8% y-o-y). The estimate incorporates the new quarterly GDP series released by Istat at the beginning of October, according to which GDP growth for the second quarter is confirmed at 0.2% q-o-q.

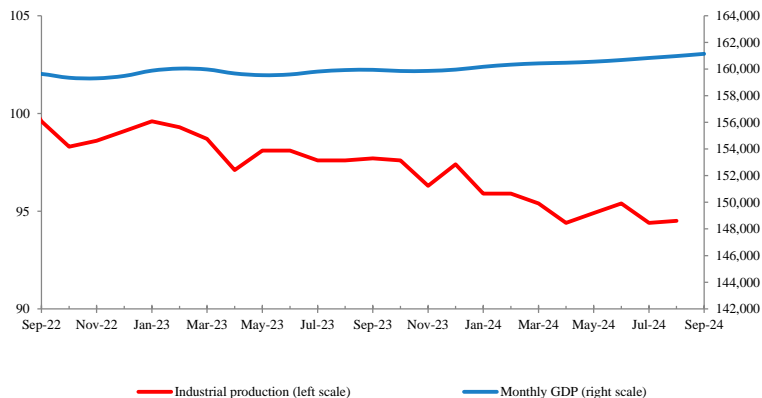
As in the first half of 2024, GDP expansion would be mainly supported by services. In this regard, the qualitative surveys in September point to an attenuation of the signs of an economic slowdown for the sector, increasing the possibility of a greater momentum. Despite the decrease of the PMI to its lowest level since December 2023 (to 50.5 points), the climate of confidence in market services increases for the second consecutive month, reaching the highest value since March (100.6 from 98.0). On the other hand, both surveys reveal greater optimism about future opportunities.

On the consumption side, the decline in the volume of retail sales in August (-0.5% m-o-m) reflect households' intentions to allocate part of the greater purchasing power to the rebuilding of savings stocks eroded during the periods of high inflation. Nevertheless, there are elements of moderate optimism about a recovery in consumption in the short term. In fact, given the current low inflation, real wages are expected to grow further in the coming months. These expectations have a positive impact on both the confidence climate in retail trade, which rose to 102.3 in September (from 101.5), and on consumer sentiment, which increased to 98.3 (from 96.1).

Against the backdrop of uncertainty of the international context and lower demand for goods from other European countries, manufacturing activity is still facing a phase of economic weakness. Industrial production grew slightly in August (+0.1% m-o-m), recovering only part of the contraction in July (revised to -1.0% m/m). In perspective, the latest qualitative indicators offer no signs of an immediate recovery in industry. In particular, the sectoral PMI fell for the first time in three months, reaching 48.3 points (from 49.4 in August). The sentiment of manufacturing companies also decreased, although to a much less marked extent (87.1 from 87.6).

On the other hand, indications coming from the high-frequency indicators, although heterogeneous, tend to exclude a further downward production level. In September, heavy vehicle traffic increased again (0.7% m-o-m), while rail freight traffic decreased (-2.3% m-o-m). In the same month, electricity consumption by energy-intensive companies fell (-2.4% m-o-m), but gas consumption for industrial purposes rose (1.8% m-o-m).

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



	Industrial Production (ISTAT)	Monthly GDP (updated estimate)	Monthly GDP (previous estimate)
	(1)	(2)	(3)
Aug-22	2.4	0.0	0.0
Sep-22	-2.4	-0.1	-0.1
Oct-22	-1.3	-0.2	-0.2
Nov-22	0.3	0.0	0.0
Dec-22	0.5	0.1	0.1
Jan-23	0.5	0.2	0.2
Feb-23	-0.3	0.1	0.1
Mar-23	-0.6	0.0	0.0
Apr-23	-1.6	-0.2	-0.2
May-23	1.0	-0.1	-0.1
Jun-23	0.0	0.0	0.0
Jul-23	-0.5	0.1	0.1
Aug-23	0.0	0.1	0.1
Sep-23	0.1	0.0	0.0
Oct-23	-0.1	-0.1	-0.1
Nov-23	-1.3	0.0	0.0
Dec-23	1.1	0.1	0.1
Jan-24	-1.5	0.1	0.1
Feb-24	0.0	0.1	0.1
Mar-24	-0.5	0.1	0.1
Apr-24	-1.0	0.0	0.0
May-24	0.5	0.0	0.0
Jun-24	0.5	0.1	0.1
Jul-24	-1.0	0.1	0.1
Aug-24	0.1	0.1	0.1
Sep-24		0.1	

(*) 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.