

Monthly GDP: February 2022

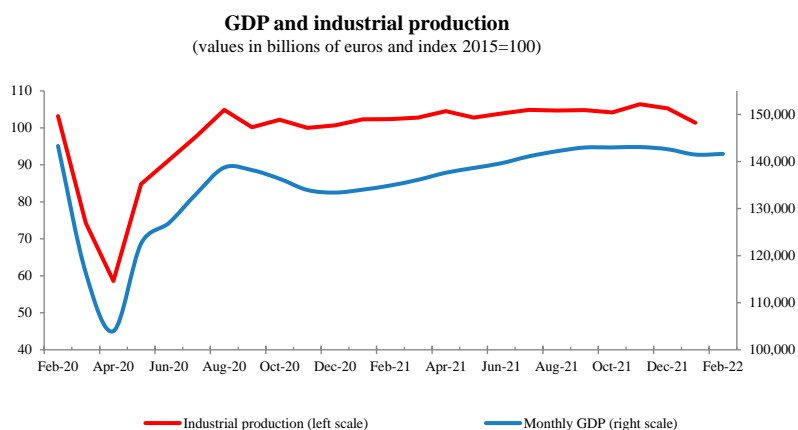
Weak GDP dynamics in February

The update estimate of the monthly real GDP indicates a modest evolution equal to 0.1% m/m in February, with a slowdown on y-o-y growth (to 5.0% y/y from 5.7% y/y in January). The performance is due to less infections of the Omicron variant, reporting a higher social mobility with positive implications for economic activities. However, frictions in the supply side, in particular in the industry sector, and the effects of high energy prices still weigh on growth. The impact of the Russian-Ukrainian conflict is not yet captured by the data underlying that estimate. It is believed that the war tensions are likely to intensify the supply difficulties of firms as well as further inflationary pressures on the prices of energy and non-energy raw materials.

At the beginning of the year, industrial production recorded a decline (-3.4% mom), greater than the expectations, following the contraction in December. The index is 1.9% down February 2020 level. Among the branches, energy marks a deep drop (-5.2%) compared to the previous month; consumer goods (-3.6%) and intermediate goods (-3.4%) records a significant reduction as well. On the other hand, the decline in capital goods is more contained (-1.6%).

A further weakening of confidence in the manufacturing sector can be deducted from ISTAT surveys (to 113.4 from 113.7 previously); on the other hand, the sector PMI Markit index remains unchanged (at 58.3 points). Expectations on production and fears of a deterioration in operating conditions due to the increase in the cost of raw materials weigh significantly.

The outlook for services appears to be improving: ISTAT confidence rises to 100.5 points in February (from the previous 94.9), although it does not recover the levels of December, and the sector PMI returns above the threshold that delimits the expansion area (to 52.8 points from 48.5). However, the intensification of price pressures could affect service activities in the coming months.



(*) 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)
Feb-21	0.1	0.7	0.7
Mar-21	0.4	0.9	0.9
Apr-21	1.7	1.1	1.1
May-21	-1.6	0.7	0.7
Jun-21	1.1	0.7	0.7
Jul-21	1.0	1.1	1.1
Aug-21	-0.2	0.8	0.8
Sep-21	0.1	0.6	0.6
Oct-21	-0.6	0.0	0.0
Nov-21	2.1	0.1	0.1
Dec-21	-1.0	-0.3	-0.3
Jan-22	-3.7	-0.8	-0.5
Feb-21		0.1	