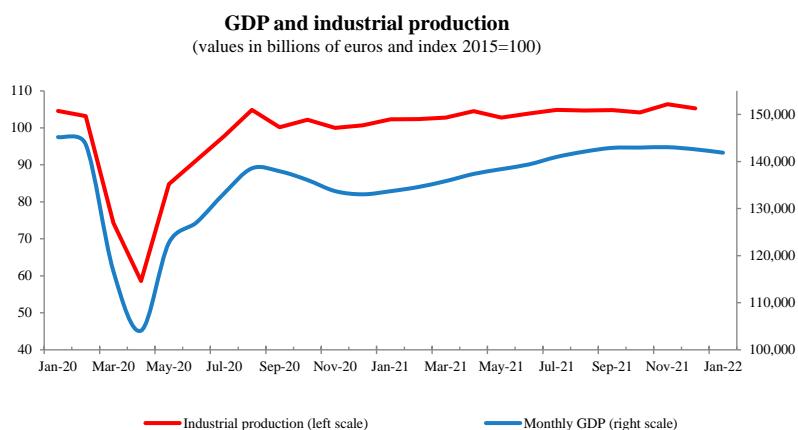


Monthly GDP: January 2021

GDP declines at the start of the year

The update estimate of the monthly real GDP indicates a 0.5% m/m decline in January, with a slowdown in the y-o-y growth, which now stands at 6.1% y/y (from 7.2% y/y in December). The evolution is due to the effects of the rapid spread of the Omicron variant at the beginning of the year, which reduced social mobility and negatively affected economic activities, already weighed down by interruptions in supply chains and higher inflation induced by the increase in energy prices. The preliminary estimate of GDP published by ISTAT shows a slowdown in Q4 2021, when economic growth was 0.6% q/q (-0.5 pp below the pre-crisis level), resulting in annual expansion equal to 6.5%. Domestic demand contributes favorably to growth, as opposed to a negative contribution from net foreign demand. On the supply side, the expansion of added value in industry and services continues, in the face of a decline in the agricultural sector. At the end of last year, there was a marked contraction in industrial production (-1.0% m/m in December), which slows down the quarterly dynamics, now at 0.5% q/q (from 1.1% in the previous quarter). Information from other quantitative indicators also supports a weakening of manufacturing in January. The rapid spread of the Omicron variant and inflationary pressures negatively affected the sentiment of households and businesses. A deterioration in manufacturing confidence can be deduced from the ISTAT surveys (to 113.9 from 115.0 in December) and, to a similar extent, from the Markit surveys (PMI at 58.3 from the previous 62.0), although they still remain at high values. The outlook for services is less favorable, reflecting a more intense reduction. The ISTAT confidence drops suddenly in January to 94.9 points (from the previous 109.6) and the sector PMI declines below the 50 level that marks the expansion area (to 48.5 points from 53.0), the lowest levels since April 2021.



(*) 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)
Jan-21	1.6	0.5	0.4
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	0.2
Jan-22		-0.5	