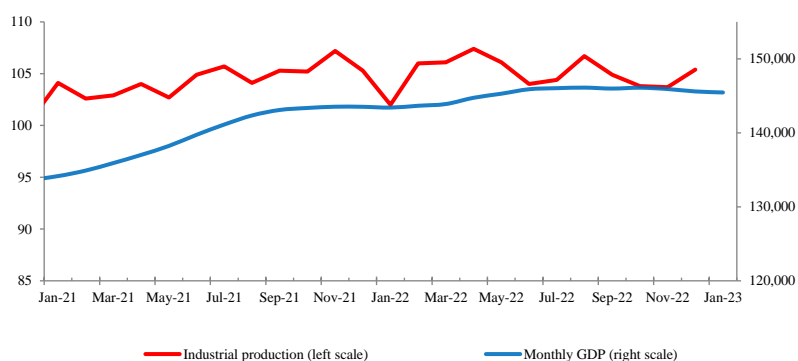


## Monthly GDP: January 2023

### Slight drop in GDP in January after -0.1% in Q4 certified by the ISTAT flash estimate

In January the update of monthly GDP estimate points to a slight decline, -0,1% m-o-m, after marking a drop in December by - 0,2% m-o-m (downward revised by -0,3 pp). The revision of the monthly profile takes into account the new information available and is also affected by the functioning of the model, which uses mixed frequency data (quarterly and monthly). In particular, the flash estimate of GDP for 4Q22 (released by ISTAT on 31 January) was slightly down (-0.1% q/q) when the model pointed to a slight increase and led to a downward revision of the monthly profile. In December the year-on-year percentage change goes to 1.4% from 2.1% of the previous estimate; in January, in light of the new economic forecast, the year-on-year change remained at 1.4%, therefore unchanged compared to December. The evolution of the most recent indicators seems to outline a slight improvement in the industrial sector. Firstly, monthly industrial production index surprised on the upside in December (1.6% m/m); however, as the recent uptick was preceded by three consecutive downturns months of repeated cyclical contractions, quarterly dynamics was still weak (-1.0% q/q in 4Q22). Furthermore, In January, the recovery of commercial vehicle traffic was accompanied by a significant rebound in the gas demand for industrial purpose. The prospects for recovery in the sector would be confirmed by the qualitative indicators. In fact, the confidence climate in manufacturing firms has picked up again, supported by the improvement in production expectations and in the order levels; it was accompanied by the increase in the PMI index (50.4 from 48.5), returned above the expansion threshold since July 2022. Signals stemming from services are more uncertain: the volume of retail sales marked a contraction in December and in 4Q22, leading to a negative carry-over effect in 1Q23, going hand in hand with a decline in retail trade confidence of January. In the same month consumer confidence marginally fell after the rebound in December. However, more reassuring indications stem from the confidence climate in market services and the recovery of the sectoral PMI, which returned to expansion territory in January (51.2 from 49.9) after four months below the threshold.

**GDP and industrial production**  
(values in billions of euros and index 2015=100)



(\*) 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)
Mar-21	0.3	0.8	0.7
Apr-21	1.1	0.8	0.8
May-21	-1.3	0.9	0.9
Jun-21	2.1	1.1	1.1
Jul-21	0.8	1.0	1.0
Aug-21	-1.5	0.9	0.8
Sep-21	1.2	0.5	0.5
Oct-21	-0.1	0.2	0.2
Nov-21	1.9	0.1	0.1
Dec-21	-1.8	0.0	-0.1
Jan-22	-3.1	-0.1	-0.1
Feb-22	3.9	0.2	0.3
Mar-22	0.1	0.2	0.4
Apr-22	1.2	0.6	0.6
May-22	-1.2	0.4	0.3
Jun-22	-2.0	0.4	0.0
Jul-22	0.4	0.1	-0.1
Aug-22	2.2	0.1	0.6
Sep-22	-1.7	-0.1	0.2
Oct-22	-1.0	0.1	-0.1
Nov-22	-0.1	-0.1	-0.1
Dec-22	1.6	-0.2	0.1
Jan-23		-0.1	