

Monthly GDP: December 2023

Economic growth pauses in December, with GDP declining slightly after five months of expansion.

The update of the December monthly real GDP estimate points to a slight decline in activity (-0.1% m-o-m), interrupting an ongoing expansionary phase since July. Therefore, the new GDP dynamics for Q4-2023 is less expansionary than expected in the previous month; however, the year-on-year change (0.5%) delivers the fifth month of economic activity expansion.

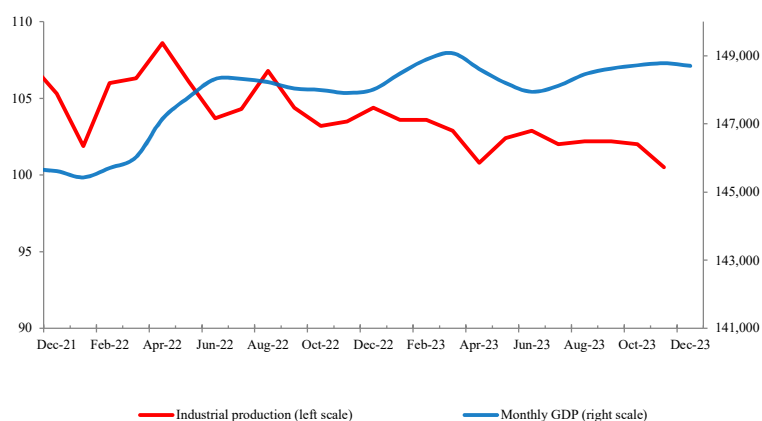
The new forecast incorporates the November industrial production figure (-1.5% m-o-m) – lower than expected – underlining some difficulties in the manufacturing sector. In addition to the decline in industrial production, the mild GDP contraction in December captures the worsening of some high-frequency indicators. The decrease in industrial electricity consumption in December was accompanied by the decline in motorway and rail freight traffic - the latter in downward trend since September.

The weakness in manufacturing is partly offset by the resilience of the services, as shown by the positive signals coming from “soft” indicators.

Looking ahead, a recovery in the strength of the economy can be foreseen. In December, although the sentiment of manufacturing companies declined again (95.4, from 96.6), with orders and production expected to contract, business confidence for the entire economy rose strongly (107.2, from 103.5), driven by market services (106.4, from 96.7). The recovery in confidence in the services was accompanied by a new increase in the relative PMI index, which stood at 49.8 in December (from 49.5), returning close to the expansion threshold and rapidly moving away from the October low (47.7). This dynamic is matched by the data on motorway traffic of motor vehicles, which posted the second consecutive increase with the December figure.

As further support to the assumption of a recovery in the coming months, in the final part of the year consumer confidence marked an improvement (from 103.6 to 106.7), especially in the components of economic (+6.8%) and future climate (+3.8%). In conjunction with the gradual deceleration in inflation, coherent signals come from the increase in retail sales volume (+0.4% m-o-m in November, as in October) and the improvement in retail sector confidence (in December).

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



(*) The monthly GDP estimate is based on the methodology published in Frale 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) |
| Dec-21 | -1.9 | 0.0 | 0.0 |
| Jan-22 | -3.2 | -0.1 | -0.1 |
| Feb-22 | 4.0 | 0.2 | 0.2 |
| Mar-22 | 0.3 | 0.2 | 0.2 |
| Apr-22 | 2.2 | 0.8 | 0.8 |
| May-22 | -2.3 | 0.4 | 0.4 |
| Jun-22 | -2.3 | 0.4 | 0.4 |
| Jul-22 | 0.6 | 0.0 | 0.0 |
| Aug-22 | 2.4 | -0.1 | 0.0 |
| Sep-22 | -2.2 | -0.1 | -0.1 |
| Oct-22 | -1.1 | 0.0 | 0.0 |
| Nov-22 | 0.3 | -0.1 | -0.1 |
| Dec-22 | 0.9 | 0.1 | 0.1 |
| Jan-23 | -0.8 | 0.3 | 0.3 |
| Feb-23 | 0.0 | 0.3 | 0.3 |
| Mar-23 | -0.7 | 0.1 | 0.1 |
| Apr-23 | -2.0 | -0.3 | -0.3 |
| May-23 | 1.6 | -0.3 | -0.3 |
| Jun-23 | 0.5 | -0.2 | -0.2 |
| Jul-23 | -0.9 | 0.1 | 0.1 |
| Aug-23 | 0.2 | 0.2 | 0.2 |
| Sep-23 | 0.0 | 0.1 | 0.1 |
| Oct-23 | -0.2 | 0.1 | 0.1 |
| Nov-23 | -1.5 | 0.0 | 0.2 |
| Dec-23 | | -0.1 | |