

# Italy

## Italy's economy shrank at fastest pace in at least 28 years during Q4

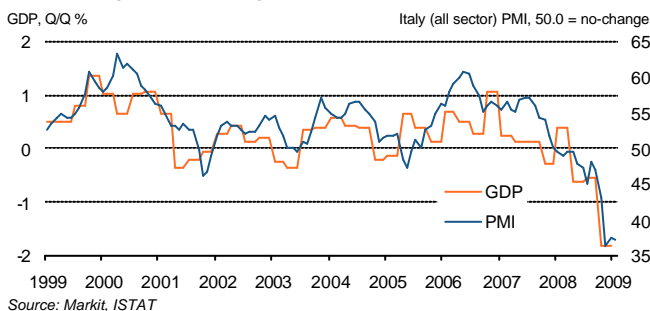
### GDP falling in line with PMI data

Italian GDP contracted 1.8% during Q4 2008 according to ISTAT – the official statistics bureau. The quarterly fall was the third in a row, and the sharpest in the series history, which extends back to 1980. Compared to a year ago, the Italian economy shrank 2.6%, also the fastest on record.

The latest fall was considerably stronger than had been expected by economists. A Reuters' poll recorded a consensus forecast of -1.2% before the release, well above the official figure of -1.8%.

The Markit Composite PMI for December (which closely tracks official GDP) was released on 6 January and completed survey data for Q4. The index remained at, or near, record lows throughout October, November and December making the rate of contraction signaled over Q4 as a whole the strongest in the business survey history.

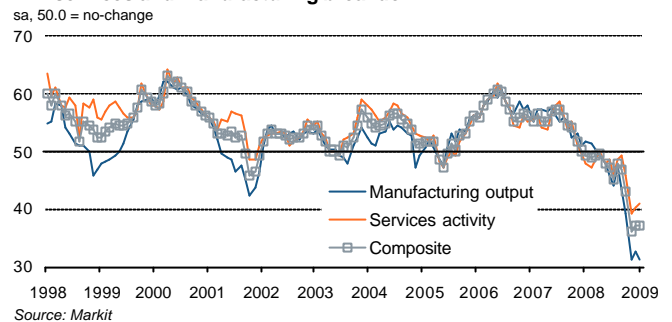
### Markit Composite PMI Output Index v ISTAT GDP



### Decline centred on manufacturing

The latest drop in output has been firmly centred on manufacturing. The chart opposite highlights the divergent trends seen across the manufacturing and services sectors in recent months. The service sector has recorded two successive monthly reductions in the rate of decline, whilst manufacturing remains mired near its all time low.

### PMI services and manufacturing breakdown



### Stabilisation

PMI data, available on a monthly basis, highlight trends that (quarterly) official statistics fail to spot. The PMI Composite Index rose in December (though still signalled strong contraction) and fell only very marginally in the first month of 2009, indicating that the rate of decline may have hit its trough during Q4, and more accurately during November.

However, whilst suggesting that the fall may have reached its nadir, there is no sign of the swift recovery, as output continues to contract at near-record rates.

### Upcoming releases

Data for February will be available for manufacturing on 2 March and services on 4 March. To find out how to receive data from the surveys, or obtain copies of the reports, please contact [economics@markit.com](mailto:economics@markit.com).

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