

# Italian GDP

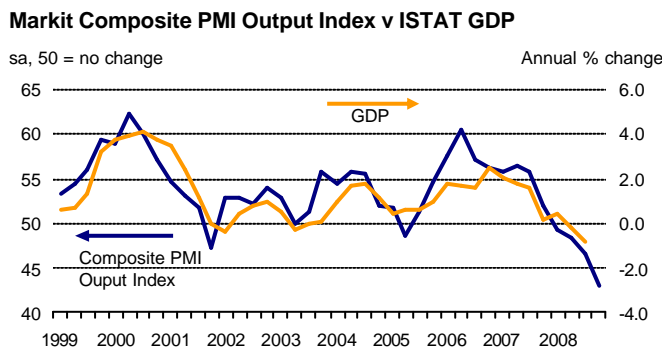
Official data confirm that the Italian economy is in recession, but worse likely to come in Q4

## Key Findings

- **0.5% fall in GDP consistent with PMI data**
- **PMI data point to prolonged downturn**

Official data released by the Italian statistic bureau (ISTAT) on Friday provided confirmation that the Italian economy had fallen into technical recession. GDP contracted 0.5% when compared to Q2, and at a steeper rate than that recorded in the previous quarter (-0.4%). Measured on an annual basis the economy contracted 0.9% during Q3, in line with PMI data which reported that the manufacturing, services and construction sectors were contracting during this period.

The chart below illustrates Italian PMI data closely tracking trends in official GDP figures.



## Causes

Anecdotal evidence from PMI surveys indicated that the downturn in the Italian economy was primarily driven by the cooling global economic climate. The sharp deterioration in world financial markets was also reported to have had a significant negative impact on consumer confidence and spending activities. Incoming new business to Italian service providers contracted at a series record pace in October and, with the majority of Italian-provided services consumed in the domestic

economy, the PMI data point to a faltering domestic market. The fall in services demand mirrored similar trends in the manufacturing sector, which recorded a series record drop in new orders. The decline in manufacturing demand was centred on the domestic market, with overall new business falling at considerably sharper rate than export orders.

## Protracted downturn

These protracted declines in economic activity have adversely affected the labour market, with employment in all three sectors monitored by the PMI surveys falling in recent months.

**Furthermore, PMI data for October reported series record - or close to series record - declines in all monitored sectors, indicating that the sharp downturn in Italian GDP will continue into Q4.** Although the ECB sought last week to provide monetary stimulus, PMI data suggest that the ECB may need to do more to prevent a prolonged recession in the euro area economies.

## Forthcoming releases

PMI data for November will be available for manufacturing on 1 December, for services on 3 December and for construction on 2 December.

To find out how to receive data for the Italian PMI, please contact [economics@markit.com](mailto:economics@markit.com).

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