

Italian preliminary GDP data confirms strong rebound unabated in 3Q21

Another very positive reading for Italian GDP, likely driven by the recovery in services but also supported by resilient manufacturing. We now expect average GDP growth at 6.2% in 2021



Another strong quarter, likely propelled by services' recovery

The preliminary estimate of Italian 3Q21 GDP indicates that the economic rebound progressed at a steady pace over the summer. In seasonally and calendar adjusted terms, GDP was up by 2.6% QoQ (from 2.7% in 2Q21), and by 3.8% YoY, doing better than consensus. The succinct press release indicates that this increase is built on positive contributions from domestic demand (gross of inventories) and from net exports. Unsurprisingly, the supply side angle reports gains in value added, both in services and manufacturing, and a contraction in agriculture. We suspect that, thanks to re-openings and a successful tourism season and to unspectacular manufacturing data, services should have played a key role in the quarter. On the demand front, and lacking any detailed breakdown, we believe private consumption was the key growth driver, followed at a distance by investments and net exports, and with inventories possibly subtracting from quarterly growth.

Growth rate to soften over 4Q21, as re-opening effect evaporates and consumers feel the brunt of inflation

Looking forward, it seems likely that growth will cool a bit over 4Q21. Confidence data for October is still painting an upbeat story. Consumer confidence posted a monthly decline in October, while remaining at very high levels. Interestingly, consumers are increasingly dismissing the risk of higher future unemployment, but at the same time are not inclined yet to plunge in purchases of durable goods, possibly reflecting some uncertainty about short term developments linked to the phasing out of support measures. In addition, the persistence of energy-driven inflation is eating into disposable income and this might soon translate into softening consumption.

On the business front, manufacturing confidence continued to challenge gravity, gaining ground again after two consecutive small declines. The combination of accelerating orders and declining inventories was at the heart of the rebound, which was stronger among producers of investment goods. However, other bits of the survey indicate that the percentage of manufacturers citing insufficient plant and materials as obstacles to growth has reached new historical highs. We thus suspect that - sooner rather than later - this might weigh on short term production, which has so far proved very resilient to supply disruptions. Confidence in the service sector was down marginally in October, with improving orders but declining order expectations. The decline in the tourism sub-component suggests that the 3Q21 re-opening boost effect might be fading, possibly affected by the acceleration in new Covid cases in some countries from which incoming tourism flows originate.

Average 2021 GDP growth will likely be higher than 6%

All in all, we believe that, after the strong summer rebound, the pace of growth will soften over 4Q21, remaining well inside positive territory. After today's release the statistical carry-over for 2021 is at 6.1%. We pencil in another 0.5% QoQ GDP gain in 4Q21, and upgrade our average GDP growth forecast to 6.2% (from 6%).

Author

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person

for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.