# 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 buildt 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%).

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