Italian GDP continued its modest expansion in the second quarter

Italian GDP expanded modestly in the second quarter. We expect the current slow growth pattern to continue through the second half of the year and confirm our forecast of average GDP growth at 0.9% in 2024

Today's GDP release fits with our view of a very gradual recovery for the Italian economy

The preliminary estimate of the seasonally adjusted Italian GDP for the second quarter points to a 0.2% quarterly expansion (0.3% in the first quarter) and a 0.9% gain on the year, in line with the consensus and our forecasts.

As usual at the preliminary estimate stage, no detail was disclosed on the demand breakdown, but the indication is that national demand (gross of inventories) provided a positive push to quarterly growth, while net exports acted as a drag. We suspect that a combination of a consumption push and a diminishing de-stocking was at work on the positive side, while investment might have been penalised by the negative impact on the construction component of the expiration of the super-bonus tax incentive.

From the supply side angle, Italy's statistics agency Istat indicates that value added increased in services and contracted in agriculture and industry. Industrial weakness had been anticipated by soft production data and subdued confidence data in the sector throughout the quarter. This is a pattern which looks set to continue in the short run if poor order book developments are of any guidance.

Looking ahead, there is no hard data evidence yet for the third quarter. The divergence between growing consumer confidence and softening business confidence seen in July suggests that private consumption should provide a positive push, reflecting the favourable combination of resilient employment, 3.4% yearly wage growth and sub-1% inflation. However, some warning signals are coming from the services sector front, as the soft tourism component might reflect some lingering weakness in the domestic demand component – not only a weather-related phenomenon as thought in June.

All in all, today's preliminary release fits with our view of a very gradual recovery for the Italian economy. It leaves a statistical carryover of 0.7% for average GDP growth in 2024, which should be improved upon by positive (0.2-0.3%) quarterly growth over the second half of the year. We confirm our forecast for average GDP growth at 0.9% for the whole of 2024.

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