Italian GDP up slightly in the third quarter

The small upwards revision does not alter the picture - the Italian economy is currently stagnating and will likely continue to do so in the fourth quarter.

Car production line in Turin, Italy

Net exports and private consumption the growth engines for the quarter

The revised estimate of third quarter GDP saw a marginal upwards revision to the preliminary estimate. According to Istat, GDP expanded by 0.1% QoQ and not flat as in the preliminary estimate (+0.1% vs 0.0% in YoY terms).

The marginal quarterly expansion was the result of a 1% contribution of net exports and a 0.4% contribution of private consumption which together more than compensated for a 1.3% reduction in inventories. Gross fixed capital formation and public consumption turned out to be growth neutral. The demand breakdown confirmed our call that private consumption had remained relatively resilient in the quarter, mainly thanks to the tourism-related services component. There was also no surprise from investment, where the impact of diminished tax incentives in construction continued to be apparent in the numbers. The quarterly contributions of net exports and inventories were in the direction we had anticipated but proved to be stronger in both cases.

The Italian economy looks set to continue stagnating in the fourth quarter

Having a marginally positive reading instead of a flat one does not alter the broad picture of the current economic situation. The Italian economy is stagnating, and a turnaround does not seem imminent. The delayed effect of past monetary tightening is finally being felt and is now increasingly reflected in bank lending data. Business confidence data for October and November has been pointing to continued weakness in manufacturing and construction and a worsening picture in services and construction. Only consumer confidence rebounded in November, suggesting that private consumption might still prove resilient in the last quarter of the year, helped by sharply decelerating inflation and, as shown in October data, employment still moving up, if at a decelerating pace. We expect all this to translate into marginally negative quarterly growth in Italian GDP in the fourth quarter, ending up with average GDP growth at 0.7% in 2023.

Author

Paolo Pizzoli
Senior Economist, Italy, Greece
paolo.pizzoli@ing.com