

## Italian industrial output rises unexpectedly

Key takeaway from today's numbers is that industrial recovery is in place and now spreading across sectors



According to Istat data, seasonally adjusted Italian industrial production expanded by 0.1% MoM in July, after a surprisingly strong +1.1% MoM in June. The WDA measure was up 4.4% year on year (from 5.3% YoY in June), showing that the industrial recovery is still at a healthy pace.

The aggregate breakdown shows the production of investment goods (+1.6% MoM), consumer goods (+0.5% MoM) and intermediate goods (+0.3% MoM) were all growing, while energy production contracted (-3.6% MoM).

Within the manufacturing domain, the production of machinery and plants turned out to be the fastest growing sector in WDA YoY terms (+8% YoY), overtaking transport equipment (+6.9% YoY) and food (+6.9%). The sectors' part of the construction chain were also back to positive growth.

The statistical carryover for 3Q17 industrial production should now be at 1.1%, the same pace of quarterly production growth recorded in 2Q17. Taking into account the upbeat state of business and consumer confidence in July and August, this bodes well for a continuation of a sound GDP expansion in 3Q17. We are currently anticipating a 0.4% QoQ GDP growth in 3Q, with upside risks.

The takeaway from today's release is that industrial recovery is in place and is spreading across sectors. The good news is that activity is accelerating in the investment goods arena, suggesting the investment component is ultimately responding to existing domestic fiscal stimuli and resilient external demand.

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