

Italian industrial production accelerates

August's positive production surprise was broad-based, and bodes well for 3Q17 GDP growth.



Source: istock

Continued economic recovery

Italian industrial production data, just published by Istat, provided additional evidence that the economic recovery continued over the summer, possibly at a slightly accelerated pace. We anticipate 3Q17 GDP growth to be 0.5% QoQ.

August seasonally adjusted production increased by 1.2% MoM (from 0.1% MoM in July), neatly beating expectations. The WDA measure was up 5.7% YoY (from 4.6% YoY in July).

1.2%

August Production MoM growth

SA, from 0.1% MoM in July

Better than expected

Broad-based improvement

The industrial recovery was confirmed as broad-based, with seasonally adjusted energy (+4.6% MoM), intermediate goods (+2.4% MoM) and investment goods (+2.2% MoM) in positive territory, and consumer goods only in soft contraction (-0.5% MoM). The sector breakdown suggests that the ongoing re-balancing between the investment goods components was still in place in August, with transport equipment losing some ground to machinery and plant. Tax incentives on new productive investment introduced in the last budget seem to be taking effect, with a likely positive bearing on GDP developments.

Looking forward, order books data suggest that the positive production momentum should remain in place over the remainder of the year. Today's release supports our view that Italian GDP growth could accelerate to 0.5% QoQ in 3Q (from 0.4% in 2Q). We forecast average GDP growth at 1.5% in 2017.

1.5% 2017 average GDP growth
ING forecast

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