

Italian confidence data points to resilient growth in the third quarter

September confidence data in Italy has confirmed continued resilience among consumers, as well as the dichotomy between upbeat services and downbeat manufacturers. Confidence in construction has softened, but only marginally



The Galleria Vittorio Emanuele II shopping arcade in Milan, Italy

The batch of confidence data for September seems to confirm Italy's recent pattern of solid consumer confidence, improving confidence in services and retail and slightly softer confidence in manufacturing and construction.

Consumers still upbeat

On the consumer front, after a setback in August, confidence reached close to the July peak, with all main sub-components posting monthly improvements. Consumers are feeling more upbeat about current and future economic conditions and about their household budgets. The only warning signals come from the second consecutive increase in unemployment expectations. Current developments in the Italian labour market remain positive, but rising concerns might suggest that momentum is cooling down. Consumers seem to be continuing along a prudent path, confirming improving future opportunities for purchasing durable goods but showing an increase

in the opportunity for current savings.

The slight improvement in retailer confidence might suggest that the expected switch out of non-durables into durable goods is possibly being delayed.

Service sector confirms a growth driver, not only thanks to tourism

The other comforting bit of evidence comes from the service sector, where confidence improved for the third month in a row, reaching back to March 2024 levels. The improvement is broad-based, involving transport and storage, tourism and services to businesses; only confidence in information and communication posted a monthly setback. Services were confirmed as the main driver of the current growth spell. Continued strength throughout the summer supports our view that GDP might slightly accelerate – and not only on the back of the tourism season.

Manufacturing confirms plateau and construction reflects conflicting factors

What will unlikely contribute to quarterly growth will be industry, be it manufacturing or construction. The decline in manufacturing confidence is a very small one and suggests an extension of the plateauing phase, which started in June, rather than a deterioration. The only soft spot in September was the investment goods domain, where orders and future production expectations deteriorated more markedly. We think this is a development that deserves future monitoring.

On the construction front, the decline in confidence affected only the specialised works aggregate, while the construction of buildings and civil engineering posted monthly gains. While we remain convinced that construction will progressively stop being a net growth driver as the impact of the superbonus fades out, the process is likely proving slower than we anticipated, also thanks to ongoing improvements in civil engineering related to the realisation of the investment part of projects funded by the European recovery fund.

Confidence data looks consistent with a temporary slight acceleration in third quarter GDP

All in all, today's confidence release supports our view that Italian GDP quarterly growth might experience a small uptick to 0.3% in the third quarter. Looking ahead, the combination of a construction drag and likely delay of a manufacturing reversal (related to a weaker international macro backdrop) is expected to bring about a temporary softer patch (but not a recession) which might last through the winter months.

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