

## Italy GDP growth slows in 2Q18

The demand breakdown shows comforting signs of an investment revival but lingering political uncertainty and softer export demand seem to be limiting the scope for any acceleration of Italian economic growth over the remainder of the year



Source: Shutterstock

The revised estimate of 2Q18 Italian GDP data confirms the pace of growth has been weakening to 0.2% quarter on quarter from 0.3% in 1Q18. The annual measure was down to 1.2% from 1.4% in 1Q18.

The interesting part is the detail of the demand breakdown, which is omitted at the preliminary estimate stage. We now know that domestic demand was the main driver of quarterly growth, driven surprisingly by strong private investments, which contributed 0.5% to quarterly growth on the back of strong machinery and plant and transport equipment components. Inventories contributed another 0.2%, and national consumption added a meager 0.1%. As expected, net exports acted as a drag, subtracting 0.5% from growth, on the back of softening exports and sharply increasing imports.

---

*We confirm our forecast of average 1.1% GDP growth for 2018*

---

Earlier today Istat, the statistics agency released July preliminary employment data, the first batch of hard evidence referring to 3Q18, which showed an unexpected decline in the unemployment rate to 10.4% from 10.8% in June, resulting from a contraction in the labour force rather than from new job creation. Employment contracted 0.1% (or 28K headcounts) and unemployment by a hefty 4% (or 113K headcount), with the outflow beefing up the inactive pool. Employment developments will be crucial for consumption developments over 2H18.

Given the uncertain political and budgetary backdrop, we suspect businesses will remain cautious with fresh new hirings, for the time being, preferring to increase working hours instead. This is likely to cap the chances of a consumption acceleration. For the same reason, prudence might limit the scope for further accelerations in investment policies after the rebound in 2Q18.

All in all, while the demand breakdown shows comforting signs of an investment revival, lingering political uncertainty and softer export demand seem to be limiting the scope for any acceleration of Italian economic growth over 2H18. We confirm our forecast of average 1.1% GDP growth for 2018.

## Author

### Paolo Pizzoli

Senior Economist, Italy, Greece

[paolo.pizzoli@ing.com](mailto:paolo.pizzoli@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).