Italian GDP sees slight improvement as net exports bolster growth

Italy's second GDP estimate revises the figure slightly upward, despite a strong negative contribution from inventories. We expect a further modest improvement in the fourth quarter, which would bring average growth in 2025 to 0.6%

Italy's updated third-quarter data seems to indicate a gradual exit from stagnation

Net exports drive growth, inventories slow it down

Preliminary GDP data had indicated that the Italian economy was still in a phase of stagnation in the third quarter. The second estimate, released today by Istat, revises the figure slightly upward, showing quarterly growth of 0.1%. From the supply side, Istat confirms that value added increased in agriculture and services, while it contracted in industry.

As usual, the second GDP estimate includes details of demand components. The slight quarterly growth was mainly driven by net exports (+0.5% contribution), household consumption and gross fixed investments (+0.1% contribution each), which more than offset the negative contribution from inventory changes (-0.5%).

Investment push set to continue in the fourth quarter, while the role of inventories remains uncertain

The negative impact of inventories is stronger than we had expected, while investments in machinery and equipment and household consumption are more robust. The sharp drop in inventories in the third quarter increases uncertainty for the fourth quarter; in our view, the probability of a positive surprise is now higher, even without radical changes in consumption and investment trends.

On the consumption side, given the decline in consumer confidence in November, we expect only marginally positive dynamics in the fourth quarter. As for investments, we expect continued momentum from infrastructure projects linked to the recovery and resilience plan and investments in machinery and equipment, which should benefit from the spending of the last available funds under the Transition 5.0 plan.

A gradual exit from stagnation?

Overall, Italy's updated third-quarter data seems to indicate a gradual exit from stagnation. Business confidence data for the fourth quarter also suggests a timid improvement in industry, though risks remain due to the potential impact of US tariffs on Italian exports. For these signals to gain strength, we will likely need to wait until Germany's ambitious investment projects start to materialise.

Based on today's data, we slightly revise our forecast upward to 0.2% for GDP growth in the fourth quarter and 0.6% for average growth in 2025.

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