

# Italian business confidence still down in August

The deterioration is more marked in manufacturing and less so in services, which are benefiting, alongside retailers, from a prolonged tourism-related re-opening effect. We expect Italy to avoid a quarter-on-quarter GDP contraction in the third quarter of the year, but not in the fourth quarter



We think the Italian economy will avoid a GDP contraction in the third quarter, mainly on the back of a protracted tourism-related re-opening effect

Qualitative evidence continues to point to a deterioration of the economic environment over the third quarter. This is what confidence data for August are telling us, with some exceptions.

## Manufacturers more downbeat

This is more apparent in the manufacturing sector, where confidence fell two points between July and August, the lowest reading since last February. The fall in confidence was more marked for intermediate and investment goods, where orders are softening and inventories of finished goods are increasing, but with only a limited bearing on production expectations. Consumer goods were less affected, though. Here, the softer deterioration in orders did not prevent a soft improvement in production expectations.

## Retailers substantially more upbeat, likely reflecting an ongoing re-opening effect

In a way, the detail in the manufacturing survey shows that in the midst of the summer, the re-opening effect which had likely strongly affected 2Q22 growth data (we will know the details next week) was still at work in 3Q22. This seems confirmed by other parts of the business survey, more specifically by the sharp increase in retailer confidence, which reached pre-Covid levels in August.

## Tourism businesses happy about current activity levels

Confidence held up better in the service sectors, where the headline index lost only half a point. The re-opening effect is still at play there too, but some warning signals are starting to emerge, in particular in the tourism sector (where we still lack official data on arrivals for 3Q22). Here, judgements about current turnover are even improving, but the evaluation of orders is softening and expectations about future orders are dropping.

## Comforting rebound in consumer confidence

The idea that the re-opening effect might have continued over the summer is finally supported by another bit of good news coming from the consumer front: the rebound of consumer confidence is back to June's level. The absolute level of the index remains very low (close to 2020 lows), but August's rebound signals that the deterioration did not accelerate over the summer. The resilience of the labour market (helped by tourism-related hirings) and the strong measures put in place by the government to limit the impact of gas and electricity price shocks on households' balance sheets have very likely supported consumers' spirits.

## Italy might avoid a GDP contraction in 3Q22

All in all, today's confidence report supports our view that over 3Q22, the Italian economy will temporarily manage to avoid a GDP contraction, mainly on the back of a protracted tourism-related re-opening effect. However, as the summer season is over, we suspect that both services and manufacturing will act as a drag on growth, bringing GDP growth into negative territory both in 4Q22 and 1Q23. As far as 2022 is concerned, we confirm our forecast of a 3.3% average GDP growth.

### 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 <http://www.ing.com>.