

# Italian business confidence softens in June but consumers are more upbeat

The decline in business sentiment is widespread but might reflect temporary factors in services. Consumers, instead, are increasingly upbeat. The complete picture still looks consistent with a deceleration of GDP growth in the second quarter



Italy's financial district in Milan

## Manufacturers remain downbeat, burdened by worsening orders

As is often the case, the June batch of confidence data is a mixed bag. Confidence has deteriorated in all broad business sectors except construction but has improved among consumers, suggesting that the economic recovery is not yet firing on all cylinders.

The first highlight comes from manufacturing, where confidence has fallen to the lowest level since November 2020. The contraction is particularly marked in instrumental goods, where decelerating orders match with an increase in the stocks of finished goods. The manufacturing soft patch is still in place and poor demand conditions (insufficient demand looks set to emerge as the single most powerful obstacle to production also in the second quarter) still seem to be delaying the start of a re-stocking cycle.

## Weather-related tourism weakness likely weighed heavily on services

Services are not providing comfort in June, but the monthly contained fall in the aggregate indicator seems to reflect a severe contraction in the tourism component- possibly penalised by unfavourable weather conditions in the northern part of Italy over the month- rather than broad-based weakness. Indeed, all the other sub-components, transport and storage, information and communication, and services to businesses, posted monthly gains in June.

## Strength in construction sector harder to rationalise

The three-point monthly gain in confidence in the construction sector is harder to rationalise. If strength in the structures component seems consistent with the implementation of investments as part of the European Recovery Plan, the gain in the residential building component conflicts with the expiry of very generous tax incentives and poor house transaction data. A late completion of existing works might offer an explanation.

## Consumers increasingly upbeat

The good news comes from consumer confidence, which gained more than three points on the month, reaching the highest level since February 2022. Consumers are more upbeat about the economic situation and consistently report sharply decreasing worries about future unemployment. Interestingly, they also show a sharp increase in their willingness to purchase durable goods; we suspect this might depend to a good extent on the introduction, early in June, of generous incentives for the [purchase of electric/hybrid vehicles](#). This might bring about a temporary recomposition of consumption towards durables over the second half of 2024.

## Confidence data still consistent with slight GDP growth deceleration in the second quarter

All in all, today's confidence data provide additional evidence the economic recovery is still in place, at different speeds across sectors. While industry could still act as a supply side drag in the second quarter, services should compensate, but quarterly GDP growth could slow down to 0.2% from 0.3% in the first quarter.

### 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>.