

Italian industrial production data softens again in May

Production remains sluggish, with no signs of a sustained rebound, confirming the persistent stagnation observed since mid-2024



According to Istat data, Italian industrial production for May contracted by 0.7% on the month in seasonally adjusted terms, almost cancelling out the 0.9% increase seen in April. The working day adjusted measure was down 0.9% on the year.

In terms of the big aggregate categories, only energy expanded on the month, consumer and intermediate goods contracted, and investment goods were stable.

Energy-related sectors were confirmed as the best performers while at the other end of the spectrum, transport equipment remained the worst performer as far as yearly changes are concerned. Data confirms volatility for the pharmaceutical sector, likely affected by uncertainty related to possible future US tariffs on Italian pharma exports.

All in all, today's data release confirms that the Italian manufacturing sector is struggling to exit from stagnation. On aggregate, production levels have been oscillating around the cyclical bottom since mid-2024, with scarce evidence of a possible turnaround. The tariff saga has so far hampered external demand, and a very uncertain geopolitical backdrop is limiting visibility to businesses,

which have not started an inventory cycle, as stocks of finished goods are only tentatively hinting at a decline, and orders are flatlining.

More visibility on the prospective tariff level and the implementation of the German infrastructure investment plan might help Italian industry over the coming months, but the impact will likely be more visible starting from the latter part of 2025. In the meantime, industry looks set to remain a minor growth driver, if a driver at all, placing the burden on services to sustain momentum.

Against this backdrop, we expect GDP growth to slow in the second quarter as the US import frontloading effect, which helped in the first quarter, reverts, confirming our average growth forecast for 2025 at 0.6%.

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