

Italian industrial production edges up marginally

Industrial production in Italy has likely reached a bottom, edging up slightly in June. However, a clear recovery is not imminent. It might come when the German infrastructure investment plan is implemented



A car assembly line in Naples, Italy

Only a marginal 0.2% monthly gain in June

The soft patch in Italy's industrial activity has not come to an end just yet. June data released by Istat shows a 0.2% monthly increase in seasonally adjusted terms (from -0.8% in May) and a 0.9% contraction on the year for the working day adjusted measure (from -1% in May).

The big aggregate breakdown has consumer goods contracting 0.9% on the month, intermediate goods up 0.2% and energy and investment goods up 0.1%. Manufacturing was flat on the month, and up 0.4% in the second quarter on the previous one.

No big changes to sector performance year-to-date

When assessing the sector performance, we prefer to check the year-to-date average for the corresponding period of 2024. No big changes here: energy production remains the best performer

(+7.2% YoY), followed at a distance by quarrying (+2.7% YoY) and wood and paper (+2% YoY). At the other end of the spectrum, transport equipment remains by far the worst performer (-8.6% YoY), together with textiles and apparel (-8.1% YoY). Year-to-date total manufacturing is down 2.1% over the first half of 2024.

A bottom has been likely reached but, the recovery will be slow

June data still fits a picture where industrial production has possibly reached a bottom, but evidence of a rebound is still scarce; the monthly acceleration in pharmaceutical production is an exception, likely related to the anticipation of US demand before the possible introduction of tariffs on the sector. With details about the final settlement of the tariff saga yet missing (eventual product exemptions are a case in point), an imminent acceleration in industrial demand and activity seems unlikely.

Business surveys seem to confirm this. In July, the manufacturing PMI improved to 49.8, a tad below the 50 level threshold separating expansion from contraction, but orders were still reported as marginally declining. The EU Commission's July business survey confirmed this but also indicated an improving expectation for orders within a 3-month horizon. Hard to see substantial production improvements in July and August, but some glimmer of hope for the following months. A possible trigger for stronger production over the autumn months might come from the German infrastructure investment plan, but its impact on Italian manufacturing production will likely become more tangible over 2026.

For the time being, the onus of economic growth looks set to remain on services. After the disappointing release of second quarter preliminary GDP data (-0.1% on the quarter), we have not changed our forecast profile, which foresees a return to marginal quarterly growth in the third quarter and a minor acceleration in the fourth, but have adjusted the average growth forecast for 2025 down to 0.5% (from 0.6%).

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