

## Italian industrial production fell again in June, raising doubts over 3Q growth

The poor reading increases the risk that industry will be a drag on growth in the third quarter and that the reopening push coming from tourism might not be enough to secure positive GDP growth this quarter



Car production line in Turin, Italy

The latest Istat data shows that Italy's industrial resilience has its limits. The Italian statistical office just reported that in June, seasonally-adjusted Italian industrial production fell by 2.1% month-on-month (-1.1% MoM in May), clearly worse than expectations. Looking at the big aggregate breakdown, only energy production expanded, while consumer, intermediate and, more intensely, investment goods, posted monthly contractions. In 2Q22, seasonally-adjusted industrial production posted a 0.6% quarter-on-quarter gain over 1Q22.

Looking ahead, the prospects for Italian industrial production do not look good. In July, manufacturing business confidence fell three points on the month, driven by a sharp decline in both domestic and foreign orders. Manufacturing PMI data also turned down: the headline index, at 48.5 in July, fell into contraction territory for the first time since June 2020. For the time being, the deterioration in confidence has not been matched by a decline in the employment component, though, possibly indicating that businesses still see the current decline as a temporary

soft patch rather than a structural turn for the worse. This also fits with the modest contraction in production expectations in the confidence survey.

Having said that, second quarter production has a negative 1.8% statistical carryover from the first. It seems likely therefore that in 3Q22, industry will act as a drag on quarterly growth, leaving the onus of growth on services, from the supply side angle. This highlights the risks to our growth forecast for 3Q22. We are currently anticipating a minor GDP expansion for Italian GDP in 2Q22, based on a continuation of the reopening effect hinging on tourism and financed by a re-composition of consumption from durable goods to services. A fully-fledged industrial recession over 3Q22 would add downside risks to that call.

## 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>.