

## Italian industrial production picks up in June, but continues to drag on growth

The Italian industry seems to be plateauing but could remain a growth drag in the second quarter, when the onus of growth is on services and construction. For the time being, the Italian economy will struggle to do much better than stagnation



We already know that Italian GDP contracted in the first quarter and that industry played a role in the decline. Yet today's release of June industrial production data adds some colour to the picture.

After rebounding in May, seasonally-adjusted industrial production increased by 0.5% on the month in June, beating expectations. The positive surprise did not prevent the April-June quarterly average from posting a 1.2% contraction from the previous quarter.

The monthly gain was more marked in investment goods, and intermediate goods and energy also posted positive growth, with only consumer goods posting a monthly contraction. Sector-wise, the good performance of transport equipment seems to confirm that the improvement in supply chains is ultimately filtering through the sectors which were most severely penalised at the height of the pandemic. Energy-hungry sectors more vulnerable to the acceleration of energy prices are offering a mixed picture: while chemicals seem to still be suffering, the production of

non-metal mineral products and paper is showing signs of improvement, suggesting that the fall in energy prices might start having positive supply-side effects.

Looking ahead, the decline in production might be plateauing, but we do not believe that a sustainable rebound is in the making yet. July business surveys showed a further deterioration in order books and fairly stable inventories. Not the best mix to accelerate production over the summer months. The manufacturing PMI posted a modest monthly gain in July, but, at 44.5, remains in contraction territory.

Industry, therefore, looks set to remain a growth drag in the third quarter, but possibly less than it was in the second. The onus of growth will likely rest on services and construction, benefiting in turn from a good tourism season and the final rush to complete works benefiting from generous tax incentives. We believe that the combination of these factors will allow a return to modest positive GDP growth in the second quarter. The Italian economy might thus manage to avoid a technical recession, but, for the time being, can hardly do better than stagnation.

## 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 [www.ing.com](http://www.ing.com).