

Italian Industrial production rebounded modestly in May

The small monthly rebound does not look like a game changer. Business confidence data suggests that the soft industrial patch will remain in place through the summer months



Industrial production in Italy was up 0.3% on the month in November, broadly in line with consensus and our own forecasts.

According to Istat data, the Italian industrial production data rebounded by 0.5% in May but was still down 3.3% on the year when adjusted for working days. Production was still 5.7% lower than in pre-Covid times.

Looking at the big aggregates, we note that the rebound affected consumer goods, intermediate goods and energy, while investment goods posted another monthly contraction. No big hints from the sector breakdown, but a tentative indication that energy intensive sectors such as chemicals might finally be benefiting from lower energy prices.

The aggregate number, in line with our forecasts, shows that the industrial soft patch is not over, yet. Recent business surveys are not pointing to any imminent relevant improvement in industrial production. The production and the order books sub-indices nudged further down in June, reaching the lowest level since December 2020. Only a tentative decline in the inventory sub-index suggests that some re-stocking might help production activity down the road, but this is unlikely to materialise towards year-end. Even assuming another mild gain in June data, in the second

quarter industrial production looks set to post the fifth consecutive quarterly contraction, suggesting that industry will not be a growth driver in the quarter.

Today's release looks consistent with our view that over the second quarter Italian GDP growth will not replicate the surprisingly strong first quarter. We are currently penciling in a 0.2% quarterly gain, driven by services.

Author

Paolo Pizzoli

Senior Economist, Italy, Greece

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.