

## 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 recorded a modest gain in May

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.

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