

## Italian industrial production sees a small boost in June

Data seems to be pointing to a stabilisation rather than a full rebound for Italian industrial production as soft order books and a delayed inventory cycle continue to act as a drag



Despite improvements in monthly data, we believe it's still too early to call a rebound in Italian industrial production

Industrial production data is tentatively pointing towards stabilisation. In June, production increased by 0.5% on the month (from 0.5% in May), recording the first two consecutive monthly gains since June 2023. The year-on-year comparison for working day adjusted data is still a negative 2.6%, and its year-to-date average sits at -3.2%.

At the heart of the monthly expansion were investment goods, while consumer goods and energy production were in negative territory and intermediate goods were stable.

The sector angle does not show relevant changes as far as the ranking of yearly changes is concerned. Chemical (+3.6% YoY) and food industries (+3.1% YoY) top the growth ranking, while on the other end of the spectrum, transport equipment (-13% YoY) and textiles and apparel (-10% YoY) are the worst performers.

In the second quarter, industrial production was down 0.8% on the first, posting the fifth consecutive quarterly contraction. Will production start bottoming out over the second half of the

year? There is still little evidence of this happening. The order book component of business surveys has been deteriorating since April and the tentative improvement seen in July is mainly due to the export component. Stocks of finished products have not been depleted enough to start a strong inventory cycle as of yet.

For the time being, available data evidence points to a stabilisation in production rather than a rebound, with data in the current quarter likely following a see-saw profile, possibly with small monthly changes. For a more noticeable improvement we might have to wait for the end of 2024, provided the demand angle improves.

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