

## Mixed signals from Italian confidence figures

The combined reading of confidence data from May continues to support our view of a continuation of Italy's gradual recovery in the second quarter, possibly at a slightly softer pace than in the first



People enjoy the May Rome sunshine

### Consumers more upbeat in May

The May batch of confidence data offers a mixed picture, confirming that the exit from the economic soft patch will likely be gradual.

Consumer confidence rebounded in May, reaching back to March levels. Households are more optimistic about the state of both the economic environment and their financial situation, consistently reporting diminishing concerns about future unemployment. Both the 'opportunity to save' and the 'opportunity to purchase' durable goods indices improve marginally on the month.

A possible interpretation lies with the coexistence of a resilient labour market and the realisation that if the current disinflationary environment continues, a recovery in real disposable income can also progress. If confirmed, we could expect a gradual acceleration in consumption activity over the second half of 2024, with a possible boost coming from the recently approved incentives for car purchases.

## Manufacturing confidence improvement driven by investment goods

On the business front, the picture is more nuanced. Confidence is improving among manufacturers and stable among retailers, but it's deteriorating in services and construction. The manufacturing boost is very much driven by the investment goods component, as confidence is stable for intermediate goods and falls for consumer goods.

The broad manufacturing picture is one of soft current production, a very marginal improvement in orders and a small reduction in inventories. Manufacturers expect a minor improvement in orders and production, and their pricing expectation index increases in May to the highest level since September 2023.

Overall, there's no clear signal that the current manufacturing soft patch is set to improve markedly in the short run.

## Construction confidence declines as 'super-bonus' effect evaporates

After the tightening of conditions to get the so-called super-bonus incentives for dwellings, the further contraction of confidence in the construction sector is not surprising. In May, the index fell to its lowest level since December 2022, driven by a deterioration in the orders/construction plans component. Instead, expected orders improve slightly, as does expected employment. There might be a re-composition of activity at play here, with the dwelling component setting back after the superbonus euphoria and the infrastructural component improving as investment projects foreseen as part of the EU recovery plan are realised.

## Confidence softens in services, but not in tourism

On the services front, confidence contracted in May for the second consecutive month, driven by a deterioration in transport and storage and information and communication services, while it's stable in tourism services. Order expectations are generally improving, notably again in tourism. As noted with manufacturing, services' pricing expectations also pick up on the month.

Today's confidence data supports our view that the Italian economy is in for a gradual recovery. The phasing out of superbonus incentives might tilt the balance of risks for 2Q24 quarterly growth towards a slightly softer reading than the 0.3% recorded in the first quarter. Overall, the growth picture for the second half of the year remains solid enough, fostered by the support provided by a resilient labour market to real disposable income in a disinflationary environment.

### 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).