

# Record quarterly profits (+50%) pending a recession

**Markets.** Up to two thirds of European companies have exceeded expectations, Italian companies have also performed well. Fears of a slowdown in the coming months

**Cyclical sectors performing but are also the most exposed to a recession  
Slowdown recorded in July but substantial resilience remains**

## Maximilian Cellino

The corporate world does not seem to have shaken the habit of taking us by surprise with its balance sheets, not even when international tensions, rising commodity prices and increasing recessionary winds foretell of a very bleak future (or even present). In fact, the ongoing quarterly reporting season is continuing at a crescendo that few dared to imagine beforehand, both in Italy and Europe as a whole.

This is confirmed by the data announced by Refinitiv I/B/E/S as of yesterday: up to two thirds of the 184 companies on the pan-European index Stoxx600 that have released their data thus far have outperformed expectations. This is nothing new, as the tendency to lead analysts to certain figures and then surprise them with the announcement is, in its own way, an old habit. The difference is that this time the rate of positive surprises (64.7 percent) is far higher than the average (standing at 53 percent), the general context certainly does not induce optimism, and the acceleration of the last few days has been very pronounced.

Just three weeks ago, on the eve of the first appointments, corporate profit growth of 21.7% was forecast in Europe for the second quarter, largely due to the overperformance of the energy sector (+180%). As of yesterday,

the bar had already risen to 28.1 percent and, more importantly, the ex-energy figure jumped from a meagre 3.2 percent to 8.6 percent. Piazza Affari is also playing its part, as the expected increase in profits of the companies included in the Stoxx600, which stood at 38 percent just a few weeks ago, now exceeds 50 percent.

While analysts' tendency to be rather cautious given the context since the beginning of the year is understandable (and the desire of companies to create the surprise effect at all costs seems undeniable), there is one more factor to take into account this time: the performance of the dollar, which, all things being equal, has helped exporting companies in recent months. "As well as financials," notes Angelo Medo, Head of Equities at **Banor Sim**, "the stocks that provided the best surprises were those related to discretionary consumer goods: cars, travel and clothing".

Yet these figures refer to the past, and the outlook on the horizon seems somewhat less comforting. "These indications are not necessarily set to last into the second half of the year," warns Meda, "because while it is true that a strong dollar can still be of help to exporters, we are also faced with a situation of great uncertainty both in terms of the resilience of the European economy, which has been crushed by energy costs, and

at a global level, with fears of a recession in the US and a further slowdown in China."

In this regard, the cyclical sectors, which undoubtedly took the lead last season, are also the most exposed to a sharper slowdown than expected. Indications in July, while suggesting a general slowdown, nonetheless point to the underlying resilience of the economy. And the same estimates collected by Refinitiv I/B/E/S for the whole of 2022 still speak of overall profits increasing by 16.9% year-on-year (compared to 16% 20 days ago).

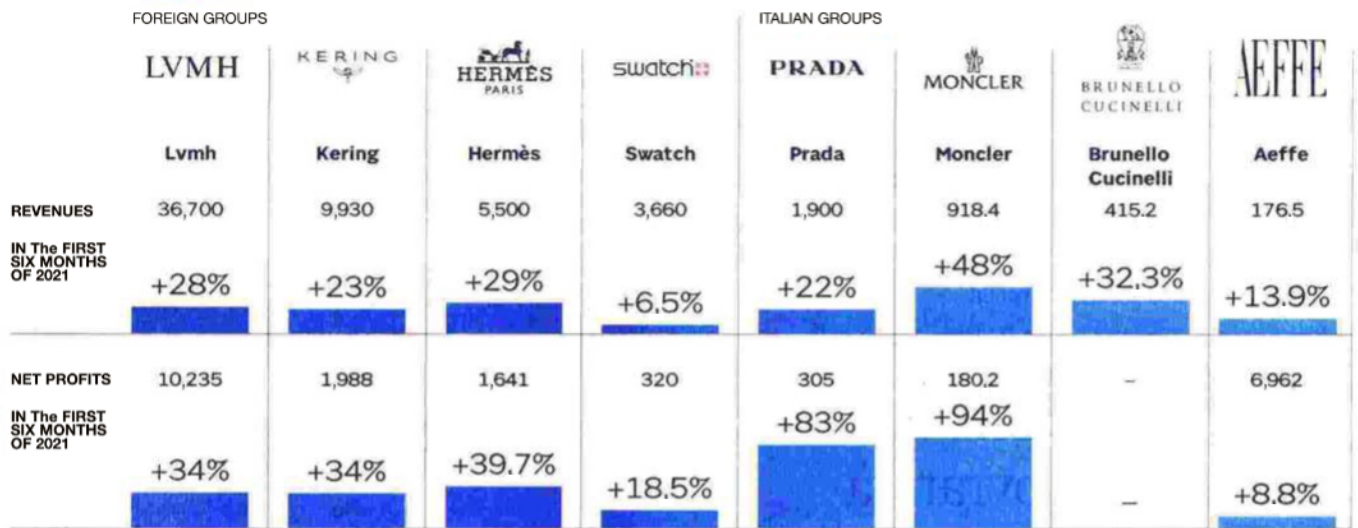
In Italy, some of the characteristics just highlighted tend to be accentuated as a result of the greater concentration of the country's indices on certain energy and financial stocks. "Eni surprised us by increasing its buyback and could close its underperformance compared to the sector, while Enel, which did not show any further deterioration on what had already been seen in recent months, announced a dividend of over 8% which laid the foundations for a rebound," notes Meda, who is instead cautious about banks that are "more exposed to the trend of the BTP-Bund spread". So far, so good, at least thus far.

© ALL RIGHTS RESERVED

156467

**Focus on luxury**

% difference in revenues and profits in the first half of 2022 compared to 2021



Source: Sole 24 Ore

156467