

Article | 10 May 2022

ITALY

# Italian industrial production stabilises in March

Italian industry has shown it is temporarily less vulnerable to supply disruptions, but we suspect that this will not be enough to prevent another GDP contraction in 2Q22, marking the start of a short-lived technical recession



## Flat production after an extremely volatile start to the year

After an extremely volatile start to the year, Italian industrial production stabilised in March, the first month fully encompassing the start of the war in Ukraine. According to the national statistics agency Istat, in seasonally-adjusted terms, production was flat on the month and up 3% year-on-year when adjusted for working days. This is better than expected and somehow confirms that Italian industry remains less vulnerable to supply chain disruptions than other major European countries. In March, the production index was still 2.7% higher than in pre-pandemic February 2020.

## Sector breakdown confirms previous patterns

All big aggregates posted monthly gains, with the exception of intermediate goods. When looking at the yearly changes for the first quarter, within the manufacturing domain, the production of refined products, textiles and apparel, electronic equipment and pharma led the

growth ranking. At the other end of the spectrum, the worst performers were plastics and non-metal mineral products, the latter likely most affected by the sharp increase in the price of gas, an essential energy input in many processes.

### Unlikely improvement over 2Q22, in the current circumstances

Looking forward, it is hard to believe that Italian industry will not be affected by the ongoing combination of supply chain constraints, high energy prices and softening consumption. Since March, business surveys have been pointing towards a softening of orders, less markedly for capital goods, and in parallel to a downward revision of production expectations. We are not talking about free falls, but more likely adjustments to a new temporary reality against a backdrop of decent domestic fundamentals. With uncertainty about developments of the war and with energy markets still elevated, we believe that the second quarter will unlikely mark a rebound after the 0.2% quarter-on-quarter contraction of 1Q22. We stick to our base case of a technical recession, but take stock of positive indications coming from the tourism sector, which might contribute to a decent rebound in 3Q22. We are currently forecasting average Italian GDP growth for 2022 at 2.3%.

### 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

## **THINK economic and financial analysis**

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).