

Italian industrial production sees a soft start to 2024

Broad-based weakness across sectors shows that exiting the prolonged soft patch in manufacturing is proving difficult. Against a soft demand backdrop, the accelerated disinflation phase is not yet prompting any supply-side push



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

Italian manufacturing is not out of the doldrums just yet. This is what January industrial production data – the first bit of hard evidence for the first quarter – is telling us. The Italian seasonally adjusted industrial production contracted by 1.2% on the month in January (from +1.1% in December), according to Istat data – beating to the downside our below-consensus expectation. The decline was particularly marked for investment (-3.6% month-on-month) and consumer goods (-2% MoM). Only the production of energy posted a positive gain (+2.5% MoM).

A quick look at the sector breakdown within the manufacturing domain shows that the contraction was broad-based and particularly notable for pharmaceuticals (-13.3% MoM), chemical products (-5.3% MoM), electrical and non-electrical household equipment (-5% MoM) and transport equipment (-4.1% MoM). Only rubber, plastic, and non-metal mineral products (+3.3% MoM) showed positive signs. The delayed start of incentives for car purchases is taking its toll. Against a backdrop of relatively soft demand, even a faster-than-anticipated disinflation phase has so far

been unable to provide a visible supply-side push in high-energy sectors.

Looking ahead, data from the EU Commission business confidence survey provides no short-term optimism for industry. In February, businesses reported a deteriorating production level, and the order subcomponent was confirmed to be at low levels, with the domestic part failing to signal any improvement. The decline in the stock of produced goods indicator was soft, implying no need for an imminent rush to re-stock given a light demand backdrop. This was mirrored in the forward-looking part of the survey, where the expectation for production and orders within a three-month horizon reached the lowest level since October 2020.

All in all, based on today's first bit of hard evidence on production and qualitative data, it seems likely that the first quarter will confirm that the exit from the manufacturing recession will not be swift. The risk that industry will not provide a positive push to GDP in the first quarter remains high.

Author

Paolo Pizzoli

Senior Economist, Italy, Greece

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 <http://www.ing.com>.