

Italian industrial production plunged in December

The decline was widespread, marking the second consecutive year of industrial recession. Given the highly uncertain environment, the prospects for a swift and sustained recovery appear bleak



A factory worker in Milan

Anyone looking for signs of a potential recovery or at least stability in Italian industrial production by the end of 2024 will be disappointed by the December data.

Production had been almost stable since July 2024 but December marked a downward shift. The 3.1% monthly contraction in seasonally adjusted terms (vs +0.3% in November) was markedly worse than expectations. On the year, working day adjusted industrial production was down 7.1%, the steepest contraction since the Covid-19 period. Production contracted on a quarterly basis in every quarter of 2024 and the average yearly contraction for 2024 was a hefty 3.5%. This marks the second consecutive year of deep industrial recession.

A quick look at the sector breakdown shows that December brought about a broad-based deterioration in yearly performances: transport equipment, textiles and metal products were the confirmed growth laggards, while energy and quarrying were the only big sectors posting yearly positive growth.

Looking ahead, the macro environment isn't quite conducive to an imminent recovery in industrial activity. Order books as reported by business surveys have been subdued over the last few months, and the January reading posted only a minor uptick in a declining trend. This looks consistent with a reported level of inventories which has not declined enough to spur a re-stocking cycle. Add to this growing concern about a possible new round of US tariffs on EU exports, and you have the perfect mix for a continuation of manufacturing struggling over the next few months. The recent acceleration in gas prices is not helping either; if protracted, it might temper the tentative supply-side push impulses we had noticed in some energy-intensive sectors over the second half of 2024.

If today's data partly reflects firms' decisions to start the Christmas break early due to weak demand, a technical rebound in January cannot be ruled out. This would not alter the broad picture, which remains gloomy in the short term. For the time being, industry is not set to become a growth driver, and the onus of growth will likely lie on services and part of the construction sector.

We currently expect average GDP growth of 0.7% in 2025; today's release adds downside risks.

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 www.ing.com.