# Italian industrial production sees a year-end rebound

In an unsurprising rebound for Italian industrial production in December, the full breakdown signalled that the tide could soon start to turn for energy-intensive sectors. For the time being, Suez Canal disruptions and soft demand conditions are limiting the scope for a production acceleration over the first quarter

Both Suez Canal disruptions and soft demand conditions are likely to hinder progress in production over the first quarter

After contracting an upwardly revised 1.3% in November, the Italian seasonally adjusted industrial production rebounded by 1.1% month-on-month in December, marginally beating expectations. In 2023, the average production contracted 2.5% from 2022.

In December, all big industry groupings apart from energy posted positive gains. The production of consumer goods was the fastest growing, with both durable and non-durable goods up some 3% on the month, followed by investment goods at +1.8% and intermediate goods at +0.8%.

The sector breakdown shows that something might start changing as far as energy-intensive sectors are concerned. Those most affected over 2023 by high costs of energy, such as chemicals, metal products and paper, posted a monthly rebound in December. This suggests that the downward adjustment of energy prices might start to see some supply-side effects.

Looking ahead, business surveys are pointing to a slow turnaround in expected orders (not yet in expected production), possibly reflecting an ongoing de-stocking of finished goods. The delayed delivery of imports from the Far East due to the Red Sea and Suez Canal disruptions might play a part in the process. In a weak demand environment, production looks set to remain capped over the first quarter of this year – but the picture could gradually improve from the second quarter if inflation remains well-behaved and the expected improvement in orders indeed materialises.

Today's data still seems to fit with our view of a modest 0.1% quarterly GDP growth over the first quarter of 2024. As a result of the higher statistical carryover of the fourth quarter's positive GDP surprise, we have marginally adjusted our average GDP forecast for 2024 up to 0.5%.

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