

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%.

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>.