

## Italian industrial production sees a small summer rebound

With industry at best flattening out in the third quarter, the onus remains on services and construction for growth. For the time being, the Italian economy will struggle to do better than stagnating



Italian industrial production data has seen something of a seesaw pattern over the summer. August's figures, which showed a 0.2% gain over the month from -0.7% in July, confirmed that pattern. Production stands now just 0.6% higher than in December 2019 in pre-Covid times.

The monthly gain was driven by consumer goods (+1.2%), while investment goods (-0.1%), intermediate goods (-0.9%) and energy (-2.2%) all contracted. Sector-wise, within the manufacturing domain, only pharmaceuticals (+18.3%) and transport equipment (+5.7%) are now showing positive gains in year-on-year terms. The others are all in negative territory, with wood and paper (-22%) and textiles and leather products (-12.8%) as the worst performers. The breakdown suggests that the normalisation of supply chains has had a positive effect on production and that energy-hungry sectors remain vulnerable, given the recent turns in the international backdrop.

Looking forward, it seems as though the decline in production might be plateauing, but we do not

believe that a sustainable rebound is in the making as yet. September business surveys continued to show soft domestic and foreign order books, with firms signalling growing stocks of finished goods. A lack of demand is apparently becoming an obstacle to production. This isn't the best mix for generating a production acceleration over the summer months. True, the manufacturing PMI posted a modest monthly gain in September – but at 46.8, it still remains in contraction territory.

From June to August, production increased by 0.4% from the March-May period. A flat reading in September would result in fairly flat production over the third quarter. If this is the case, the onus will likely rest on services – tourism services in particular – and construction for growth over that period. Unfortunately, available tourism data does not allow us to draw a clear conclusion on the past summer season; it seems it was successful for international flows, less so for domestic flows.

On the construction front, the final rush to complete works benefiting from expiring generous tax incentives should have continued supporting activity over the summer, with a possible positive bearing on GDP. We believe that the combination of these factors could allow a return to very modest positive GDP growth in the second quarter, helping Italy to avoid a technical recession. But this would be of meagre comfort as the environment remains one of economic stagnation. Slow growth and higher-for-longer interest rates are not the best mix to appease rising debt sustainability concerns.

## 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 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>.