

Italian industrial production takes a breather

September's temporary setback shouldn't be over-emphasised. The data is still compatible with a slight acceleration in quarterly GDP growth



Source: Shutterstock

1.3% Industrial production

Worse than expected

According to Istat, Italian industrial production contracted 1.3% MoM in September in seasonally-adjusted terms and expanded by 2.4% YoY once working-day adjusted (WDA) - worse than expected. Today's disappointing reading comes after a positive surprise in the August release, suggesting the summer holiday closure effect might have been poorly reflected in seasonal adjustment procedures. We don't think this setback, after three consecutive monthly increases, should be over-emphasised.

The contraction was driven by the energy component (-6.3% MoM), followed by intermediate goods (-3% MoM) and by investment goods (-2%), while consumer goods were marginally in positive territory (+0.4%). The sector breakdown shows that manufacturing equipment installation was the fastest growing sector (+11% YoY in WDA terms), followed at some distance by transport equipment (+5.6% YoY in WDA terms). The ongoing pick-up in the investment equipment component is not jeopardized, in our view, as businesses are ultimately taking advantage of an improved external backdrop and of tax incentives introduced in the last budget law.

With the September reading now in the bag, we note that industrial production has expanded by 1.5% QoQ in 3Q (from 1.2% in 2Q). When read in conjunction with recent progress in the labour market and synchronized gains in confidence indicators, this seems enough to justify our forecast for a slight acceleration of quarterly GDP growth in 3Q17 to 0.5% QoQ (from 0.4% in 2Q).

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>.