

## Italian industrial production was stable in September

September's industrial production data and October survey data suggest that the soft economic patch will remain in place over the fourth quarter, with downward pressure on goods as the only positive fallout



Car production line in Turin, Italy

The soft patch in Italian industry continued in September, according to Istat's data. Seasonally-adjusted production was flat on the month, and the working days adjusted measure was down 2% on the year. In September, production was 3% lower than at the pre-Covid peak.

A quick look at big industry aggregates shows a sharp monthly decline in consumer goods (-2.2% month-on-month), offset by increases in investment goods (+1.5% MoM), intermediate goods (+0.3% MoM) and energy (+1.1% MoM). The manufacturing breakdown shows that previous patterns in yearly changes have been broadly confirmed: sectors which had been particularly penalised by supply chain disruptions such as the transport equipment industry continued to rebound, while those more exposed to developments in construction activity, such as wood and non-metal mineral products, continue to suffer.

The view on the quarter, a modest 0.2% gain in production in the third quarter over the previous

one, does not add anything relevant to what we already knew from the value added provided by the preliminary estimate of 3Q23 GDP.

Looking ahead, high-frequency confidence data for October suggests that manufacturing weakness will likely remain in place over the last quarter of 2023. Softening orders are reportedly weighing on current and expected production, pointing to a possible negative contribution of manufacturing to value added generation over the last quarter of 2023. If this is confirmed, the stagnating economic environment looks set to persist over the fourth quarter, with a small negative growth reading remaining a possibility if services take a downward direction. The one positive feature of the ongoing manufacturing soft patch is that this adds downward pressure to goods inflation, possibly bringing forward gains in real disposable income.

## Author

**Paolo Pizzoli**

Senior Economist, Italy, Greece

[paolo.pizzoli@ing.com](mailto:paolo.pizzoli@ing.com)

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