

Italy: Industrial production disappoints in February

Fears of a recovery slowdown in Italy are picking up



-0.5%

Italy industrial production MoM

Second contraction in a row

Lower than expected

Industrial production contracts for the second month in a row

Italian Industrial production contracted by 0.5% in February MoM (-1.8% in January) in SA terms and by 2.5% YoY in WDA terms (+4.4% YoY in January), contradicting consensus expectations of a 0.8% MoM expansion. That's all according to the latest Istat data. The contraction involved consumer goods (-2.4% MoM), intermediate goods (-1.5% MoM) and investment goods (-1% MoM), with only energy in expansion (+8% MoM). Sector-wise, pharmaceuticals have clearly taken the lead in YoY terms, followed by machinery and metal products. The deceleration in transport equipment is apparently taking its toll on the aggregate reading, as is the continued softness in sectors which are part of the construction chain.

Risks of a softer growth data in 1Q18

February data shows that the risks of a softening of the ongoing recovery are rising. With domestic and external order books filling at a decent rate until December and with expected production still pointing north, we do not expect a protracted production setback in the short run. However, recent business confidence indicators suggest the combined effect of international trade tensions and domestic political uncertainty are becoming a concern to domestic producers. The investment goods component, and particularly the machinery component, which has been the main driver of the manufacturing recovery over 4Q17, will deserve close monitoring.

Today's release adds downside risks to our 0.4% QoQ forecast for 1Q18 GDP growth. While PMIs look still fully compatible, production data are making that call a bit stretched.

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 www.ing.com.