

Italian industrial production in April confirms manufacturing soft patch

May's PMI and business confidence data point to a continuation of the manufacturing soft patch through the rest of the second quarter



April industrial production data came in softer than expected

Industrial production data for April came in softer than expected, confirming that the soft patch is far from over. The seasonally-adjusted production index contracted by 1% on the month, and the calendar-adjusted index was down 2.9% on the year. The monthly contraction was unevenly distributed: energy production was down 2.1% on the month and intermediate goods fell by 1%; investment goods were down 0.1% and consumer goods turned out flat.

A quick look at the sector breakdown shows that the monthly contraction was particularly marked for coke and refined oil products and for chemical products. The sectors part of the construction value chain, such as wood and non-metal mineral products, also contracted, possibly signalling that the accelerated phasing out of the superbonus tax incentive is finally starting to bite. The monthly growth in electronic and electrical equipment, on the other hand, might suggest that supply chains are functioning quite well, notwithstanding persisting disruptions in transits through the Suez Canal.

Soft PMI and business confidence production and order sub-components do not legitimate hopes for a quick turnaround

Looking ahead, evidence from the PMI and business confidence data for May do not signal any imminent improvement. The manufacturing PMI fell in May to 45.6 (from 47.3 in April), with the softening in the production component mirrored in the production level sub-index of the monthly business confidence survey. The weak readings of the order components in both surveys do not legitimate hopes for a quick turnaround in industrial production. Today's soft release attenuates the upside growth risks we highlighted when the GDP breakdown for the first quarter was disclosed a couple of weeks ago. We then signalled that a very negative contribution of inventory change could bring about higher growth when normalising. We still believe that this could be the case, but is less likely during the second quarter of 2024.

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.