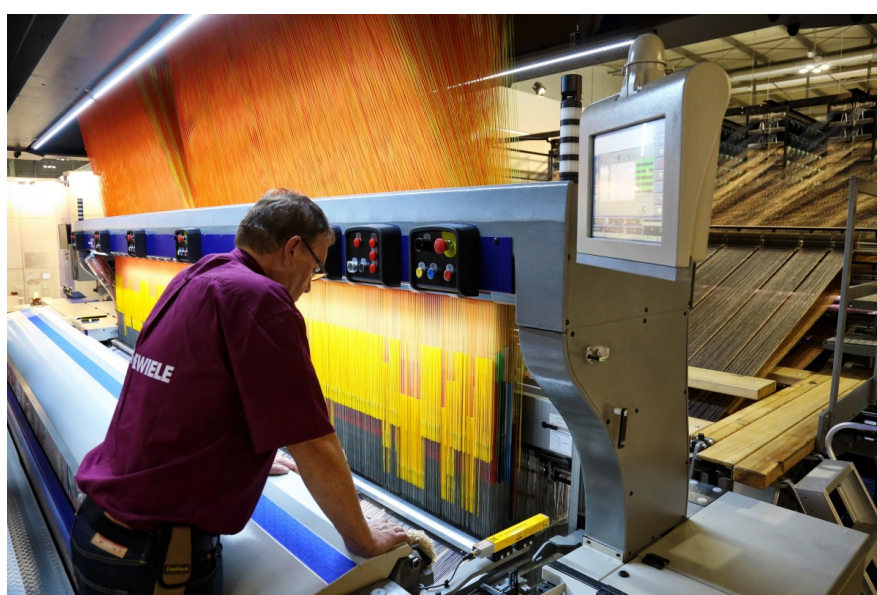


## Italian industry bounces right back

January Italian industrial production has regained the ground lost in December. Despite some short-term volatility, production appears to be stabilising with limited room for short-term acceleration



Manufacturing textiles in Milan

### Overall growth is flat when stripping away the volatility

After a surprisingly sharp 3.1% monthly fall in December, Italian industrial production fully regained the lost ground in January with a 3.2% monthly rebound, doing better than consensus. Such high volatility in the seasonally adjusted measure has to do with the distribution of working days over the two months. Comparing the November-January period with the previous quarter, we have flat growth, which is a more credible picture of the actual state of industrial conditions. The manufacturing soft patch is not over yet, but is stabilising.

### No big news from sectors

The working days adjusted measure posted a 0.6% yearly contraction, with intermediate, investment, and energy goods all in negative territory and consumer goods production modestly expanding thanks to the durable goods component. There was no big news from the sector breakdown, with pharma solidly growing (+21.7% on the year) and transport equipment (-13.1%) and textiles (-12.3%) as the clear laggards.

## No acceleration in sight in the short run

Looking ahead, there is some tentative evidence of improvement. In February, manufacturing business confidence ticked up marginally, and the relevant PMI increased to 47.4. It is still in contraction territory, but the softest rate of decline in five months. As for order books' indicators, they marginally improved in February, more perceptibly in the foreign component. We believe this might reflect some import frontloading ahead of likely upcoming tariffs rather than a sustainable improvement in demand. Surveys also report a very limited decline in stocks of finished goods year to date, too little to call an imminent start of a re-stocking cycle.

## EU military and German infrastructure spending may help longer term

If the short-term outlook is stable, the European Re-Arm plan and German infrastructure spending are likely to positively impact Italian industry in the long term. Although the urgency may expedite their approvals, it will take time for these investments to significantly reflect in Italian production figures. Nonetheless, there is some light at the end of the tunnel.

### 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 [www.ing.com](http://www.ing.com).