

A sharp fall in Italian production threatens our growth forecast

August's Italian production numbers suggest that a hoped-for timid improvement in the third quarter has not materialised. While some caveats should apply when dealing with summertime data, it would seem the onus now lies with a growth in services



A car assembly line in Naples, Italy

Italy's seasonally adjusted industrial production contracted by 2.4% on the month (from +0.4% in July), and working day adjusted production data was down 2.7% on the year (from 0.9% in July). The figures from Istat are way weaker than expected.

A quick look at the big aggregates shows that all of them contracted on the month, with investment goods particularly weak. Sector-wise, the picture is not uniform, as strong monthly gains in pharmaceuticals and transport equipment contrast with sharp contractions in mining and plastics. Manufacturing aggregate production was down 1.9% on the month, and average manufacturing production over the first eight months of 2025 is down 1.4% over the same period of 2024.

August data must usually be taken with a pinch of salt due to variable plant closing times at the height of the holiday period, and a proper assessment is normally possible only after the

publication of September data. Still, the scope of the August contraction suggests that the chances that industrial activity even timidly bottomed out over the summer look dim. September business confidence data, which reported stable production, seems to support this view, casting doubt on whether an acceleration might materialise in 2025's final quarter.

In September, the level of stocks of finished goods was reportedly stable, and the improvement in orders was only marginal. We are currently lacking a clear domestic driver for industrial activity, and hopes rest on the potential pull from the implementation of the fiscal stimulus in Germany, which might materialise with a delay.

It now seems likely that industry might have acted as a drag on growth over the third quarter of 2025, once more leaving the onus of growth on services, as suggested by the relevant PMI indices.

Our current base case forecast for Italian GDP quarterly growth in the fourth quarter is a meagre 0.1%. If anything, today's data adds a downside risk to this call.

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