

## Italian industry shows signs of weakness

Italy's industrial production data for October points to renewed weakness, tempering expectations of a stronger economic pickup in the final quarter of the year



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After volatility in August and September, driven by summer shutdowns, October data was key to gauging underlying industrial momentum. Leading indicators suggested a mild contraction, but the official estimate shows a sharper decline in the seasonally adjusted index.

Istat reports a 1% monthly drop in the seasonally adjusted production index and a 0.3% annual decline (adjusted for working days). The monthly fall affects consumer goods (-1.8%), investment goods (-1%) and intermediate goods (-0.3%), while energy is the only segment posting growth (+0.7%).

Sector details offer few surprises: the year-to-date trend confirms marked weakness in transport equipment and textiles, while pharmaceuticals and electronics performed well. The modest decline in machinery and equipment suggests that the investment cycle hinted at in third quarter national accounts is not yet on solid ground.

Today's data dampens hopes of a positive contribution from industry to fourth-quarter growth. Slight improvements in order books and a small drop in inventories, as shown by November's business confidence survey, should support higher production in the coming months – but likely

only gradually. A more decisive acceleration will probably require Germany's ambitious investment plan to kick in, which is unlikely before the second half of 2026.

In short, today's figures don't change the overall picture: exiting stagnation remains a bumpy process. We still expect positive GDP growth for Italy in the final three months of the year, but the risk is higher that services will once again carry most of the weight.

## Author

### Paolo Pizzoli

Senior Economist, Italy, Greece

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

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