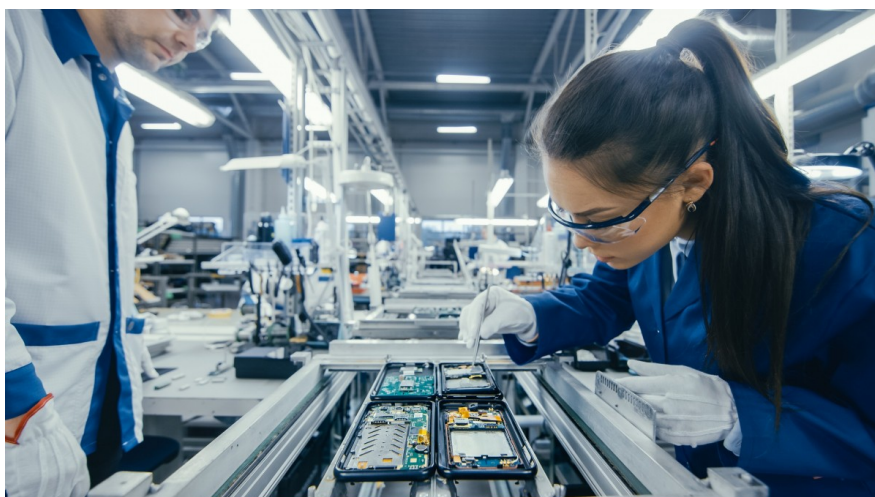


Another month of lacklustre industrial production data for Italy

February's industrial production figures confirm a soft start to 2023, notwithstanding improved supply chains and lower gas prices – which only marginally improve the picture in the very short run



Another small contraction in February's industrial production

After contracting by 0.5% in January, the seasonally adjusted Italian industrial production index posted another small 0.2% decline in February. The 0.7% monthly contraction in manufacturing was only partially compensated by the 2% gain in energy. The working day adjusted measure was down 2.3% on the year.

Sector breakdown points to limited gains from improved supply chains

Improving supply chains and declining gas prices were not enough to bring about solid supply-side gains, possibly reflecting a combination of soft-ish demand and decently filled stocks of finished goods. This seems to be confirmed by the sector breakdown, where energy-intensive sectors such as plastics and chemical products only managed to post small monthly production gains and supply-chain sensitive sectors such as transport equipment and electronics were flat and in contraction, respectively.

Gap between business confidence and hard production data yet to be filled

Today's release confirms that the gap between improving manufacturing confidence indicators has so far failed to translate into better hard production data. As order books have only timidly started to improve, we believe that the current flattish production pattern will continue for another few months, limitedly propelled by improving supply conditions. If this is confirmed, industry could fail to provide a positive push to GDP in the first quarter, leaving the onus of growth on services, still driven by a long-lasting re-opening effect and by a re-composition of the consumption pattern away from goods and toward services.

We are currently pencilling in a 0.1% quarter-on-quarter GDP gain in the first quarter of the year, and a very slow acceleration thereafter, leading to an average of 0.8% growth for the whole of 2023.

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