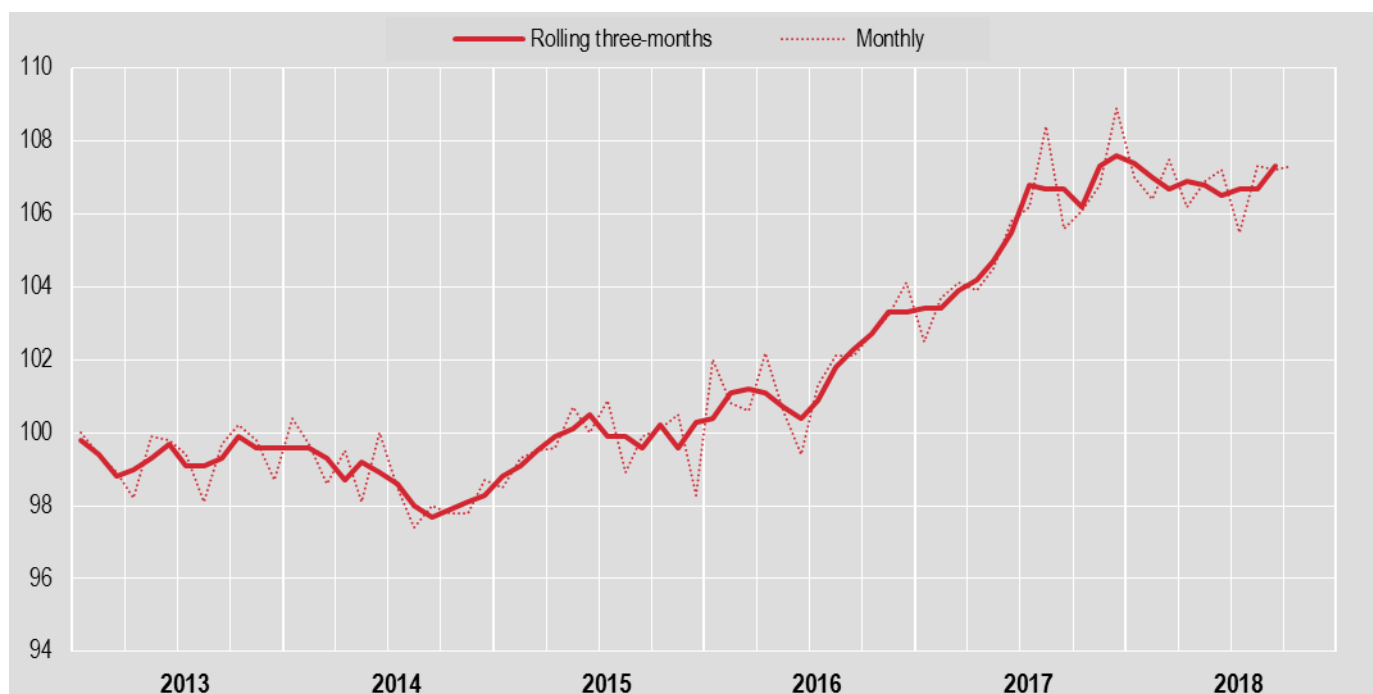


October 2018

## INDUSTRIAL PRODUCTION

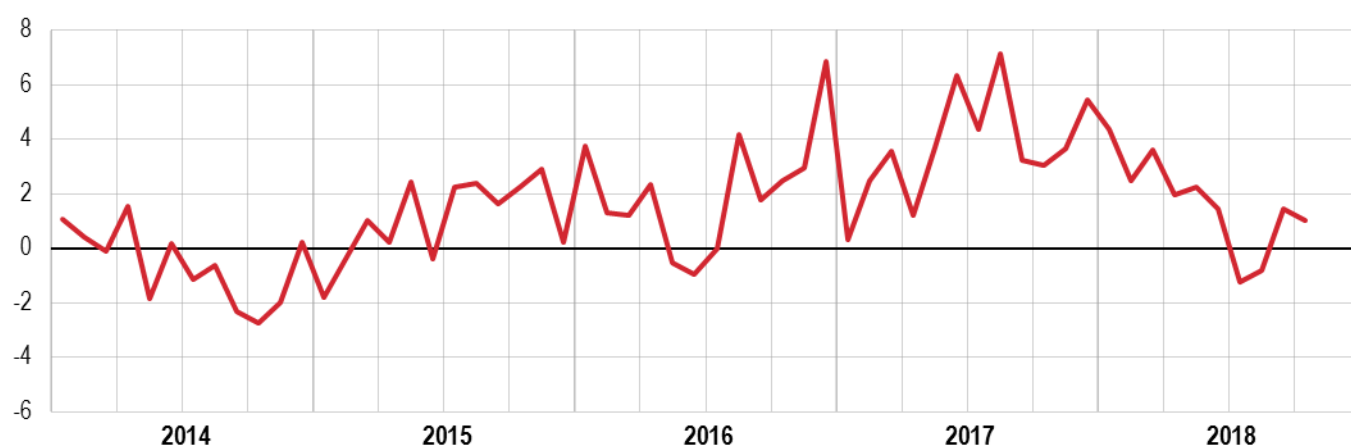
- The index measures the monthly evolution of the volume of industrial production (excluding construction). With effect from January 2018 the indices are calculated with reference to the base year 2015 using the Ateco 2007 classification (Italian edition of Nace Rev. 2).
- In October 2018 the seasonally adjusted industrial production index increased by 0.1% compared with the previous month. The percentage change of the average of the last three months with respect to the previous three months was +0.8.
- The calendar adjusted industrial production index increased by 1.0% compared with October 2017 (calendar working days in October 2018 being 23 versus 22 days in October 2017); in the period January-October 2018 the percentage change was +1.7 compared with the same period of 2017.
- The unadjusted industrial production index increased by 4.2% compared with October 2017.

**CHART 1. INDUSTRIAL PRODUCTION, SEASONALLY ADJUSTED INDEX AND THREE MONTHS MOVING AVERAGE**  
January 2013 – October 2018 (index, 2015=100)



## CHART 2. INDUSTRIAL PRODUCTION, MONTH ON SAME MONTH A YEAR AGO PERCENT CHANGES

January 2014 – October 2018, calendar adjusted data (index, 2015=100)



## TABLE 1. INDUSTRIAL PRODUCTION INDEX (a), MONTHS ON PREVIOUS MONTHS AND ON SAME MONTHS A YEAR AGO PERCENT CHANGES

October 2018 (b) (index, 2015=100)

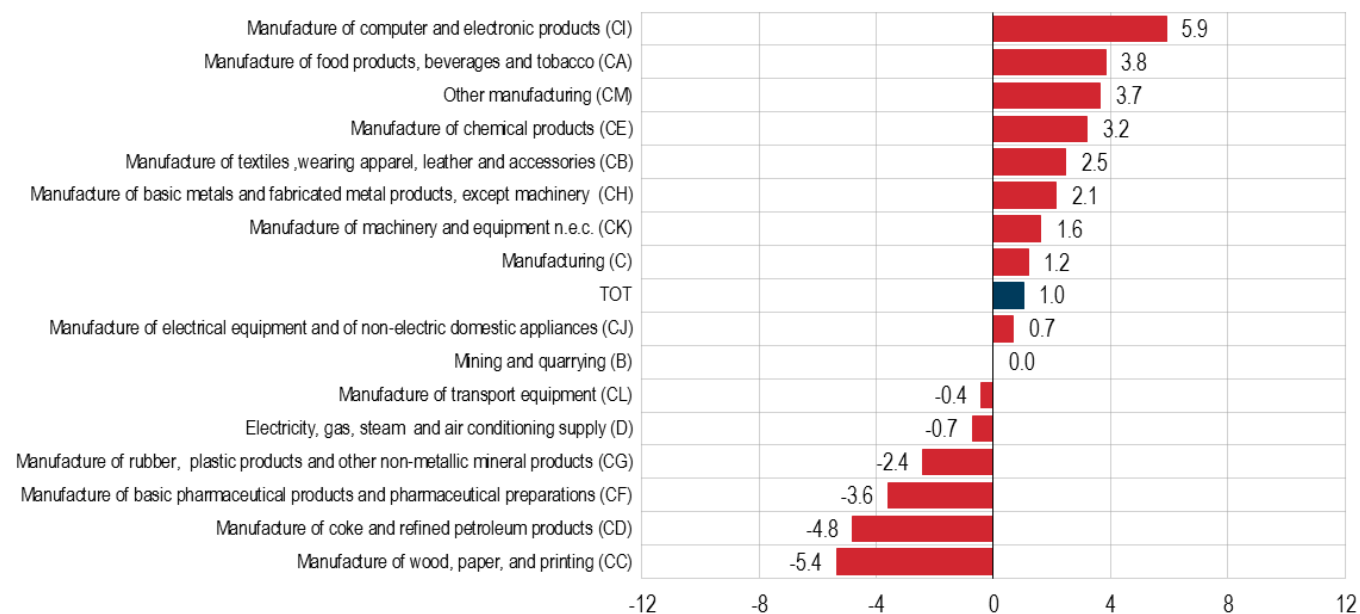
| INDICES   | Index<br>(2015=100) | Months on previous months |              | Months on same months a year ago |            |
|---|---------------------|---------------------------|--------------|----------------------------------|------------|
|   |                     | Oct18                     | Aug 18-Oct18 | Oct18                            | Jan-Oct 18 |
|   |                     | Sep18                     | May 18-Jul18 | Oct17                            | Jan-Oct 17 |
| Industrial production seasonally adjusted       | 107.3               | +0.1                      | +0.8         | -                                | -          |
| Industrial production calendar adjusted         | 116.0               | -                         | -            | +1.0                             | +1.7       |
| Industrial production non – seasonally adjusted | 118.7               | -                         | -            | +4.2                             | +2.2       |
| Calendar working days                           | 23                  |                           |              |                                  |            |

(a) Excluding construction.

(b) Data are provisional and subject to revisions. The first revision takes place with the dissemination of the following month and takes into account additional information received from enterprises. Since 2011 data are revised with a yearly occurrence on occasion of the press release of April.

### CHART 3. YEAR-ON-YEAR GROWTH RATE BY INDUSTRIAL GROUPINGS

October 2018, calendar adjusted (index, 2015=100)



The table below shows routine revisions, calculated as differences (in percentage points) between first publication and the latest estimates concerning the same reference period. Revisions to year-on-year growth rate refer to not adjusted data of the month prior to the current reference period. With regard to the short-term growth rate, an additional monthly revision for seasonally adjusted data occurs as new observations can change the seasonal factors that are applied to the whole time series.

**TABLE 2. INDUSTRIAL PRODUCTION FOR MAIN INDUSTRIAL GROUPINGS, REVISIONS**

September 2018, percentage changes revisions, percentage points changes (index, 2015=100)

| Industrial Production Index |                         | Durable consumer goods    |                         | Non-durable consumer goods |                         | Capital goods             |                         | Intermediate goods        |                         | Energy                    |                         |
|-----------------------------|-------------------------|---------------------------|-------------------------|----------------------------|-------------------------|---------------------------|-------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
| Month-on-month change (a)   | Year-on-year change (b) | Month-on-month change (a) | Year-on-year change (b) | Month-on-month change (a)  | Year-on-year change (b) | Month-on-month change (a) | Year-on-year change (b) | Month-on-month change (a) | Year-on-year change (b) | Month-on-month change (a) | Year-on-year change (b) |
| +0.1                        | +0.2                    | 0.0                       | -0.1                    | +0.5                       | +0.7                    | -0.1                      | 0.0                     | +0.1                      | +0.1                    | -0.1                      | 0.0                     |

(a) Figures are calculated on seasonally adjusted indices

(b) Figures are calculated on non seasonally adjusted indices

**Consumer durables:** examples of consumer durables include household appliances, furniture, motorcycles and audio and video equipment.

**Consumer non-durables:** examples of consumer non-durables include food and beverages processing and preservation, several kinds of textile manufacturing and pharmaceutical manufacturing.

**Intermediate goods:** examples of intermediate goods include chemical industry, metal fabrication, metal products and electrical appliances manufacturing, wood industry and textiles processing.

**Capital goods:** examples include production of machinery and manufacturing equipment, measuring and test equipment and vehicles.

**Survey sample:** subset of statistical units selected from a larger population in order to conduct a survey. In short-term statistics, a theoretical sample is defined when rebasing the indices every five year to obtain longitudinal or panel data, considering the actual corporate changes over time.

**Calendar adjusted data:** calendar adjusted data refer to the correction for calendar effect in a reference period (month or quarter) that may vary from year to year. This method allows a reconciliation of asymmetries for calendar differences such as the number of working days, the week days distribution in the reference period and the occurrence of public holidays (including moving holidays like Easter) and of a leap year. Working day adjusted data permit to better compare year-on-year growth rate and average annual growth rate.

**Seasonal adjusted data:** seasonal adjusted data refer to the statistical technique designed to remove fluctuations related to seasonal factors (such as weather conditions, administrative measures, etc....) and calendar effects when relevant. Seasonal adjustment provides a clearer view for a trend analysis of a short-term index.

**Energy:** examples of energy industries include extraction of raw materials (petroleum, natural gas, coal) and refining processes and electricity, gas, steam and air conditioning supply.

**Working days:** calendar days of the month, not including Saturdays, Sundays, religious and secular public holidays.

**Industrial production index:** industrial production index measures the monthly evolution of physical volume of production made by industrial establishments (excluding construction).

**Main industrial groupings:** consumer durables, consumer non-durables, intermediate goods and energy. Commission Regulation (EC) No 656/2007 defines, for the whole European Community, the Main Industrial Groupings (MIGS): each industrial group and industrial activity division head to a different category of this aggregate classification. Istat also releases the Consumer Goods Index, calculated as the weighted average of the durable and non-durable components.

**Economic activities sections:** according to classification [ANA/ISIC A38](#). The statistical classification of economic activities in the European Community ([NACE Rev. 2](#)) – from which Ateco classification derives – do not include subsections in the structure of the aggregates.

**Month on month growth rate:** short-term growth rate compares a period (typically a month or quarter) with the previous period, measuring the percentage change.

**Year-on-year growth rate:** Y-o-Y compares a period (typically a month or quarter) with the same period from the previous year, measuring the percentage change.

## Sources and Regulatory framework

The industrial production index measures the change of the volume of goods produced over time by industry (excluding construction).

Monthly industrial production data are legally required under Eurostat short term indicators regulation: [Council Regulation \(EC\) no 1165/1998](#), subsequently amended by [Regulation \(EC\) no 1158/2005 of the European Parliament and of the Council](#), defines the level of detail, the methodology and the frequency with which the indicators shall be produced and updated.

The survey is provided by the current National Statistical Programme in force, accessible on the Istat internet site at <https://www.istat.it/it/istituto-nazionale-di-statistica/organizzazione/normativa> (Italian only).

## Population, analysis and survey unit

The industrial production index is based on the results of a sample statistical survey, conducted among enterprises (survey units), that measures the volume of production of the goods included in a representative basket of products (analysis units). This allows the calculation of indices for product line items that, in turn, are grouped by business activity according to the Laspeyres formula using a fixed weighting structure that reflects the sector distribution of the industrial value added in the base year.

The reference list for identification of the enterprises that take part in the sample is made up from the Statistical Archive of Active Companies (Asia), while the selection is made upon the results of the annual PRODCOM<sup>1</sup> survey.

Starting from the press release concerning January 2018, the index is calculated with reference to the base year 2015 and according to the 2007 Ateco classification of economic activities, Italian version of Nace Rev. 2. The 2015 update of the indicator reference base is consistent with the requirements of the European Regulation on short-term statistics (Regulation No. 1165/98 of the European Union Council) and it is part of the process of reference bases redefinition made in all European Union countries in 2018. For details related to the modifications made to the 2010 index and for a more exhaustive description of the new index, see the Information Note: "Gli indici della produzione industriale - La nuova base 2015", of 19 March 2018 (available in Italian only).

## Survey design and data collection

The monthly survey of industrial production is conducted directly on a panel of approximately 4,600 companies, which provides the data concerning just over 8,500 monthly production flows, generally defined in terms of physical quantity. Further statistical sources are used for the estimating production trends of specific industrial sectors. Amongst others, the survey on livestock slaughtered for red and white meat, conducted by Istat; the information provided by the Steel Trade Association and those provided by the National Offices for Mineral Resources, Hydrocarbons and Geothermal Energy of the Ministry of Productive Activities; the data of electrical energy production surveyed by TERNA (National Electric Network).

For the purposes of maintaining the significance of the index and in order to consider potential changes in quality of industrial products over time, the survey requests the amount of hours worked for specific products (whose weight within total index is 13.1%); the elementary indices of products are then calculated using coefficients of productivity estimated using aggregates of short-term statistics (turnover index and hours worked). Moreover, for a minor number of products (whose weight within total index is 10.5%), the survey requests value of production, purposely deflated with producer price indices.

## Indicators, weighting structures and classification systems

The survey allows to elaborate production indices for 614 items of products which are aggregated in order to compile indices at a higher level of aggregation: Industrial production for each economic activity (according to the classification of economic activities Ateco 2007), Industrial production general index and Industrial production for Main Industrial Groupings (MIGS), as defined by [Commission Regulation No. 656/2007](#) (Official Journal of the European Community of 14 June 2007).

<sup>1</sup> Annual survey of industrial production

The Main Industrial Groupings are: consumer durable goods, consumer non-durable goods, capital goods, intermediate goods and energy.

The Community Regulation has determined, for all Member Countries, the criteria for the definition of MIGS: entire groups and/or divisions of economic activity are assigned to different groupings according to the prevailing criteria. Istat also publishes the Consumer Goods Index, obtained as the weighted average of the consumer durable goods and consumer non-durable goods indices.

The following table shows the weights, allocated within the weighting system used for the calculation of the industrial production index, the Main Industrial Groupings and the economic activity sectors.

**TABLE 1. WEIGHTING STRUCTURE BY ECONOMIC ACTIVITY**

Percentage values (index, 2015=100)

| Main Industrial Groupings  |   | Year 2015       |
|----------------------------|---|-----------------|
| Consumer goods             |   | 26,6911         |
| Consumer durable goods     |   | 4,0978          |
| Consumer non-durable goods |   | 22,5933         |
| Capital goods              |   | 28,8806         |
| Intermediate goods         |   | 32,4075         |
| Energy                     |   | 12,0208         |
| Economic activity sectors  |   |                 |
| <b>B</b>                   | <b>Mining and quarrying</b>   | <b>1,5676</b>   |
| <b>C</b>                   | <b>Manufacturing</b>  | <b>88,5313</b>  |
| CA                         | Manufacture of food products, beverages and tobacco products                              | 10,1647         |
| CB                         | Manufacture of textiles, apparel, leather and accessories                                 | 8,2629          |
| CC                         | Manufacture of wood and paper products, and printing                                      | 4,9902          |
| CD                         | Manufacture of coke and refined petroleum products  | 1,0032          |
| CE                         | Manufacture of chemicals and chemical products  | 4,2956          |
| CF                         | Manufacture of basic pharmaceutical products and pharmaceutical preparations              | 3,3349          |
| CG                         | Manufacture of rubber and plastic products and other non-metallic mineral products        | 8,1168          |
| CH                         | Manufacture of basic metals and fabricated metal products, except machinery and equipment | 13,7787         |
| CI                         | Manufacture of computer, electronic and optical products                                  | 2,7032          |
| CJ                         | Manufacture of electrical equipment and of non-electric domestic appliances               | 4,1327          |
| CK                         | Manufacture of machinery and equipment n.e.c.   | 13,639          |
| CL                         | Manufacture of transport equipment  | 6,6613          |
| CM                         | Other manufacturing, and repair and installation of machinery and equipment               | 7,4481          |
| <b>D</b>                   | <b>Electricity, gas, steam and air conditioning supply</b>                                | <b>9,9011</b>   |
| <b>General index</b>       |   | <b>100.0000</b> |

## Seasonally and calendar adjusted series

In addition to the raw indices, calendar adjusted time series are also released. In accordance with the guidelines on seasonal adjustment for the European Statistical System, time series are corrected using a regression model (through the TRAMO procedure - LINUX version), which identifies the effect of the working days (calendar days of the month excluding Saturdays, Sundays and secular and religious holidays not coinciding with Saturdays and Sundays), the leap years and Easter through the introduction of a set of regressors in the univariate model that describes the trend of the series. Since the effect due to the working days is not a zero mean value on an annual basis, the calendar adjusted series calculated through this method would not present an average of 100 per base year. To release a set of indices with a common base and therefore allowing Eurostat to estimate the European aggregates, the adjusted time series are reported on a base of 2015=100 through a redistribution that maintains the dynamic profile unchanged. Moreover, regressors method results in the revision of the data, since each new monthly information added to the series may require new estimates of the regression parameters.



Given an equal number of working days, the procedures here described may cause discrepancies between y-o-y growth rate calculated on the raw time series and y-o-y growth rate calculated on adjusted data although. Negligible differences may be determined from the redistribution and from the subsequent rounding; more relevant differences are due to the effects of the leap year and Easter<sup>2</sup>, and to the type of model used for the correction of the calendar effects. In the case of the additive model, in fact, the differences are inversely proportional to the level of the indices and directly proportional to the absolute value of the trend variations calculated on the raw series.

Following a quality review, from August 2018 onwards new models for estimating calendar and seasonal effects at ATECO levels are adopted. Consistently with the previous rebasing procedure, to overcome the widespread problems of model instability due to the 2008-2009 economic crisis, the time series were made shorter, beginning January 2001, and the indices concerning the 1990-2000 period will not be subject to further modifications.

Finally, the seasonally adjusted indices are obtained through the TRAMO-SEATS procedure (LINUX version). Like the other seasonal adjustment procedures, also TRAMO-SEATS assumes that each intra-year time series is constituted of three different components, not directly observable: the trend-cycle, that represents the underlying medium and long-term movement; the combined seasonal and calendar effects, which are intra-year fluctuations; an irregular component, due to erratic factors. TRAMO-SEATS uses a model-based approach consisting in identifying a reliable and representative model for the time series to be seasonally adjusted.

In order to eliminate the seasonal component, it is necessary to select a decomposition model of the raw series into the previously listed different elements: the industrial production indices are seasonally adjusted using either an additive decomposition (the observed data are equal to the sum of the non-observable elements), or a multiplicative decomposition (the observed data are equal to the product of the non-observable elements).

The industrial production indices are calendar and seasonally adjusted separately for each economic activity sector, Main Industrial Grouping and for the general index, therefore the most aggregated indices are not calculated as synthesis of the seasonally adjusted data referring to lower classification levels. This does not apply to consumer goods indices, as durable and non-durable components are corrected for calendar effects and seasonally adjusted separately, obtaining the total as a weighted average.

Since the addition of new monthly information allows a better evaluation of the different components of the series, each month previously published data concerning the most recent years are subject to revisions.

The statistical models used for the seasonal adjustment and for the correction are reviewed at the beginning of each year to ensure their ability to correctly represent the trend of the single time series.

To allow the user to adopt the same processing specifications used by Istat in the context of the TRAMO-SEATS procedure, specifications are available upon request for analytical purposes.

## Revision of the indices

The industrial production indices concerning the most recent month are provisional and subject to revision that takes place with the dissemination of the following month and takes into account additional information received from enterprises (revised indices are released on occasion of the press release).

Further information related to short terms indicators revisions is available at <http://www4.istat.it/en/economic-trends/revisions>.

## Territorial breakdown

The indices are calculated and disseminated on a national level.

## Timeliness

Dissemination of the monthly industrial production indices is made with a press release and series are published on the Istat data warehouse I.stat, 40 days past the end of the reference period.

<sup>2</sup>Since the regressor takes the week prior to Easter Sunday into consideration, the differences may be more or less consistent according to whether the whole week falls completely within one month or not.



**Dissemination**

The press releases are available on the internet site at <http://www.istat.it/en/archive/industrial+production>.

The monthly industrial production indices are available for free at [I.Stat](#), the Istat data warehouse, in the section “Industry and Construction /Production/Industrial Production Index”.

The description of the execution method of the survey and the activities performed to guarantee the quality of information produced is available in the Quality Information System ([SIQual](#)) of the Istat statistical processes.