

Eurozone industrial production: As good as it gets

Production declined by 0.1% in February, which will be modest compared to March and April data. An end to the industrial recession will only come once the Great Lockdown is behind us



Source: Shutterstock

February industrial production was already hampered by Covid-19 as the Chinese lockdown had already disrupted eurozone supply chains. Businesses indicated longer supply times in the February PMI for example, but this did not cause production to decline significantly. Capital and durable consumer goods production fell in February, but increases in intermediate and non-durable consumer goods, as well as energy production made the overall decline negligible. That means that the first two months of the year had actually set industry up for a small recovery compared to 4Q, but as the eurozone lockdown started in March, we all know that a sharp downturn will follow the decent January and February numbers.

How bad will the March data actually be? Judging by the industry and services data from the PMI and Economic Sentiment Indicator, it will be dismal. Perhaps not as bad as the shock to the service sector though, as survey indicators have taken a larger hit there. But as most surveys were conducted even before the most severe restrictions were in place, it is safe to say that a steep

decline is in the making for March.

Perhaps the most important question is when countries that have restricted factory production will lift these measures and when companies will then actually resume production. In Spain for example, factories have reopened, which means that the April data most certainly will be the weakest. In countries that have not restricted production, we still see factories shut down to curb the virus. The resumption of production will be the largest factor in determining the bottom for industrial production. These issues will make or break the start of a recovery for eurozone industry in the weeks ahead.

Author

Bert Colijn

Chief Economist, Netherlands

bert.colijn@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 <http://www.ing.com>.