# 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