

Snap | 13 July 2023

Eurozone industrial production confirms no strong GDP bounce back for 2Q

With more data coming in, it really seems to be a coin flip as to whether the eurozone technical recession continued into the second quarter. The May production data is consistent with industry stagnating at a relatively low level of activity



Industrial production increased by 0.2% in May, which is the second small increase in a row after plummeting in March. Overall, this leaves the level of activity well below the average for where it was in 2022, in line with a weakening global growth environment in which demand for goods has moderated.

In recent months, industrial production has stagnated. There are large differences by sector, which is due to the shocks that individual sectors have been influenced by in recent years. At the moment, the sectors most hurt by supply-chain problems are still contributing positively to annual industrial production growth. The sectors that profited a lot from the pandemic – think of pharma for example – are showing more volatile production performance at the moment and energy production and energy-intensive sectors are contributing negatively.

For the months ahead, weakness continues to be in the cards as surveys point to a drying up of backlogged orders and new orders are weakening. Global demand is going through a weak patch and that is reflected by a subdued outlook for the manufacturing sector.

For GDP growth in the second quarter, the impact is clear. Production will have needed a strong rebound in June to have an average production level similar to the first quarter. That seems unrealistic given the negative PMI and industrial sentiment data for the month. Another quarterly decline for industrial output is therefore in the making, which is also likely for retail sales. The goods part of the economy is therefore likely to have remained in recession and services – on which we have much less intermediate data – will have needed to perform well to eke out a positive growth figure. It's likely that the eurozone economy has therefore continued to straddle the zero growth line in the second quarter, extending the current phase of stagnation in economic activity.

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 www.ing.com.