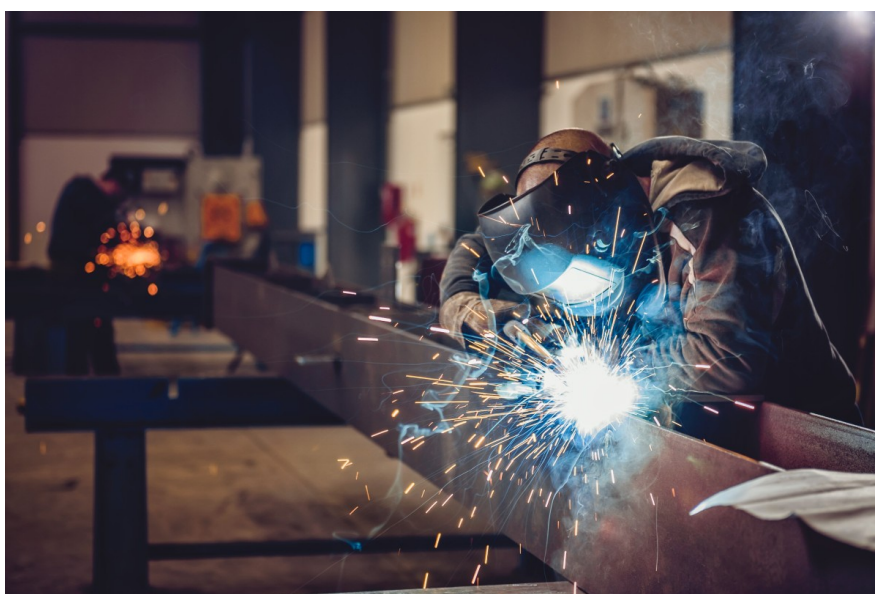


Eurozone industrial production contracted more than expected in December

Last year ended on a downbeat note for the eurozone industry as production dropped by 1.1% in December compared to November. This continues the downward trend seen in industry since early 2023. Don't expect a quick turnaround with weak global demand, high energy prices and tariff uncertainty



The December decline exceeded expectations, yet aligns seamlessly with the recessionary trend that the industry has experienced for nearly two years. The correction in December was driven by declines in intermediate and capital goods production, while consumer goods and energy production increased. By country, strong declines in Germany and Italy drove the overall drop.

Even though the manufacturing PMI improved slightly in January, the output index reading of 47.1 still corresponds with contraction. Export orders still fell, but less so than in recent months. Then again, a looming trade war hangs over the sector like Damocles' sword for the moment, resulting in more uncertainty and possibly slowing export orders. And energy prices have continued to rise,

which hurts European energy-intensive industries.

For the moment, it is difficult to see what could drive a swift turnaround for manufacturing production. We are looking for further reductions of inventories, lower interest rates and stronger domestic consumption towards the second half of the year, but don't expect too much support for stronger production in the coming months.

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.