

## Eurozone industrial production falls again in June on supply problems

Supply constraints continue to dampen production but as demand remains strong, this is unlikely to throw off the economic recovery altogether. Still, continued problems do weaken third quarter GDP growth prospects somewhat



Industrial production fell by 0.3% in June. Supply chain hiccups due to input shortages continue to plague industrial production. The car sector continues to bear the brunt of the problem with semiconductor shortages resulting in a sharp decline in production over recent months. Germany faces the largest issues, with production again declining by 1% while other large eurozone economies saw production increase. France and Spain saw modest growth of 0.4% and 0.1%, respectively, but the Netherlands and Italy saw a particular strong ending to the second quarter, with 3.3% and 1% growth in industrial output.

For the months ahead, the outlook continues to be bright from a demand perspective. Surveys continue to show a strong inflow of new orders both domestically and from abroad. That means that the outlook for production hinges on how long supply constraints will remain in place. We see some moderation in input shortages at the moment, but for some of the more problematic inputs this could last for a few more quarters at least.

As long as demand remains strong, we expect that this will mainly result in production growth spreading out over the coming quarters as opposed to causing a longer decline in production altogether. For 3Q, it could mean that the manufacturing contribution to GDP will be dampened somewhat, but we don't expect this to derail the recovery. We expect GDP growth for 3Q to come in at 2% quarter-on-quarter.

## Author

### Bert Colijn

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto: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](http://www.ing.com).