

Snap | 14 July 2021

Eurozone industrial production falls on the back of supply chain problems

Supply chain problems continue to weigh on the eurozone industry causing production to fall by -1% MoM. The outlook remains bright, thanks to strong incoming demand as economies recover globally



Source: Shutterstock

Eurozone production dropped in May, which came as a bit of a surprise.

German production has been falling for a while now – thanks to problems in auto production – but overall, eurozone production managed to maintain output growth. In May, eurozone production fell by 1%, which is not substantial but does show that the manufacturing contribution to growth in the second quarter could still disappoint.

Auto production is a big culprit for the monthly decline in May, which fell by -6.5% and is now about 15% below production levels seen in November. Besides this very pronounced decline, other sectors saw much more subdued developments in May. Production of metals continued its recovery which started in March, and chemical production ticked up slightly. Plastics production has plateaued as shortages also hamper production, but this is much less severe than for auto.

The outlook for the manufacturing industry remains bright despite disappointing production figures. Surveys suggest that demand continues to flow in at a very fast pace and that backlogs of work are increasing. This means that the big production rebound has not peaked, but mainly pauses because of the limited availability of inputs.

We expect further improvements when supply chain problems are resolved and much more support to the GDP recovery from manufacturing in 3Q and 4Q.

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>.