

## Eurozone industrial production: it's always darkest before dawn

Another whopping decline of 17.1% in production in April likely marks the bottom of activity in the eurozone as restrictions on industrial production were eased in May. Still, it's a long, long road to recovery for the sector



A factory in the Netherlands

There were huge declines across the board for industry as lockdowns caused production to drop to levels last seen in 1993. Of course, it was to be expected that April would still be much worse than March given the fact that lockdown measures were in place for the full month. The monthly decline was similar in Italy, France, Spain and Germany as roughly a fifth of March production was shaved off. Germany experienced a somewhat milder decline in March though, meaning that the total lockdown decline is smaller. Just like in March, the Netherlands was a positive outlier with a monthly decline of “just” 7%. Overall, the eurozone has now experienced a 27% drop in production since February.

As restrictions on industry have been gradually lifted since late April, expectations are that May will be the start of a drawn out recovery of output. While expectations of production have indeed improved in surveys, we do see that new orders have continued to come down in May. That means that expectations of a V-shaped recovery for industry would be far too optimistic. As lingering

concerns like a new trade war and Brexit continue to be risks to the recovery phase in the months ahead, it could be a long road ahead before industry reaches output seen at the start of 2020. So plenty of risks surrounding industry at the moment, but the recent easing of lockdowns means that activity in April almost certainly marked the bottom.

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